# 1981 – THE TENTH ANNUAL DOLLARS PER DAY SURVEY OF THE SMALL FOOD STORE INDUSTRY

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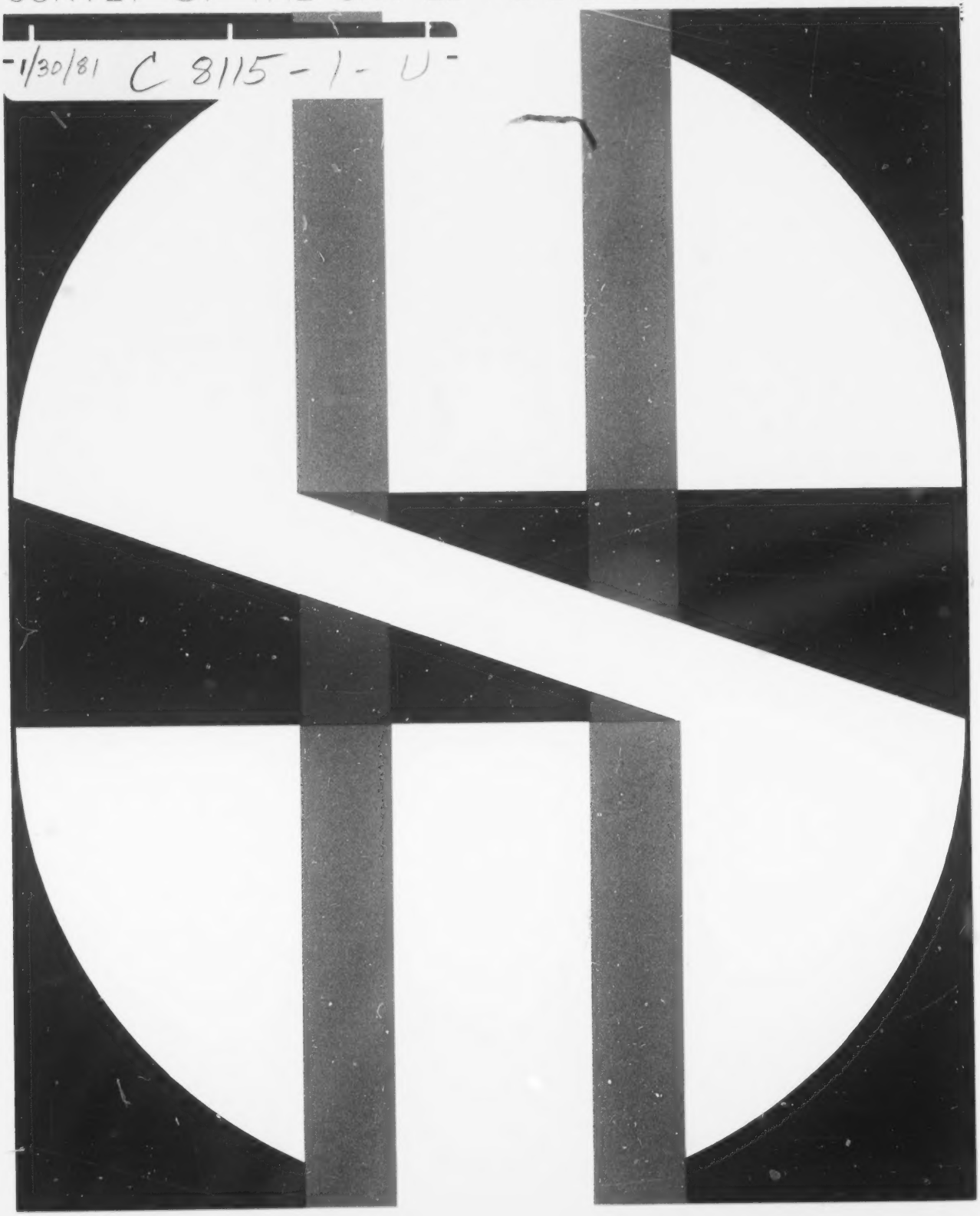

# TENTH ANNUAL
# DOLLARS PER DAY SURVEY

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# TENTH ANNUAL

## Dollars Per Day Survey of the Small Store Industry

This is the Tenth Annual Dollars Per Day Survey of the Small Food Store Industry. The operating results of the thirteen publicly held convenience store chains are included in the Survey.

The companies included in the report are the largest chains in the Industry. To have their figures included in this report, chains must meet the following qualifications:

1. Must be publicly held.
2. Store operating figures must be adequately separated in their annual reports from other lines of business in which the company may engage, so that reasonable deductions can be made concerning store operating results.

We believe this report includes all of the store chains in the United States that meet these qualifications.

The numerical data from each of the past nine Surveys are also included. By reviewing the previous Surveys at the back of the report, you can develop an understanding of the trend of the Industry over the past ten years. By reviewing the data on the individual companies, you can determine the trend of these companies over this same period.

### Explanation of the Survey

The Survey presents the financial results of the leading, publicly held small store chains on a dollars per day per store basis. The dollars per day method reduces the operating figures of the chains to a common denominator. The denominator is store operating days. The results of thirteen chains are analyzed on this basis and then ranked. All of the data used is easily verifiable and is contained either in the chain's annual report to the stockholders, its proxy statement, or in the 10-K for that chain which has been filed with the Securities and Exchange Commission. All of these reports are readily available. A more complete explanation of the Dollars Per Day method of analyzing results can be found on page 47.

### Store Sales and Gasoline Sales

Some chains register sales from gasoline in their total sales figures and some do not. Most operators receive only a commission on gasoline sales and thus include only this income in their sales figures. We believe that gasoline sales were either not originally included in sales, or that we have succeeded in excluding gasoline sales from store sales except in the case of Dillon. Sales from the other twelve chains are thus from store sales only and provide an area where comparison as to sales levels can be made.

### Dollars Profit Per Day Per Store

$DPD will be used to signify Dollars Per Day Per Store in this report.

**hains Included in**
**e Survey**

rcle K, Shop & Go, National onvenience, Lil' Champ, llon, Conna, Southland, oteM, Sunshine Jr., Li'l eneral, Hop-In, Mini Mart, and Munford are included in the Survey. Togeth hese chains operate 13,167 Stores. It is estimated that there are about 39,000 stores of this type in the United States, so the stores in this survey comprise 34% of the stores in the Industry.

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Pre Tax Dollars of Profit Per Store Per Day Ranking

| $DPD Ranking | Company | # of Stores | Pre Tax Profit Per Store Per Day |
|---|---|---|---|
| 1. | Circle K | 1,200 | $73.47 |
| 2. | Shop & Go | 381 | 60.70 |
| 3. | National Convenience | 817 | 44.88 |
| 4. | Lil' Champ | 138 | 44.17 |
| 5. | Dillon | 324 | 43.68 |
| 6. | Conna | 336 | 40.04 |
| 7. | Southland | 6,805 | 38.42 |
| 8. | UtoteM | 927 | 32.71 |
| 9. | Sunshine Jr. | 336 | 31.03 |
| 10. | Li'l General | 464 | 25.71 |
| 11. | Hop-In | 140 | 23.97 |
| 12. | Mini Mart | 115 | 18.77 |
| 13. | Munford | 1,184 | 2.22 |
| Total Stores in Survey | | 13,167 | |
| Average $ Profit Per Day | | | $38.18 |

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### The Small Food Store Business Ranked by Dollars of Profit Per Store Per Day

| $DPD Ranking | Company | Year Ended | # of Stores | Store Days | Small Food Store Sales | Average Sales Per Store Per Day |
|---|---|---|---|---|---|---|
| 1. | Circle K | 4/30/80 | 1,200 | 431,514 | $ 381,203,000 | $ 883 |
| 2. | Shop & Go | 4/03/80 | 381 | 140,609 | 108,651,170 | 771 |
| 3. | National Convenience | 6/30/80 | 817 | 296,192 | 306,929,000 | 1,036 |
| 4. | Lil' Champ | 5/03/80 | 138 | 49,710 | 30,446,909 | 612 |
| 5. | Dillon | 6/28/80 | 324 | 114,478 | 178,117,909 | 1,566* |
| 6. | Conna | 5/25/80 | 336 | 118,664 | 182,559,000 | 1,538 |
| 7. | Southland | 12/31/79 | 6,805 | 2,446,127 | 2,658,708,000 | 1,087 |
| 8. | UtoteM | 2/29/80 | 927 | 339,282 | 280,296,000 | 826 |
| 9. | Sunshine Jr. | 12/31/79 | 336 | 118,980 | 59,729,229 | 502 |
| 10. | Li'l General | 12/29/79 | 464 | 168,896 | 141,487,000 | 838 |
| 11. | Hop-In | 6/30/80 | 140 | 49,776 | 37,260,652 | 749 |
| 12. | Mini Mart | 8/31/79 | 115 | 41,975 | 28,690,752 | 684 |
| 13. | Munford | 1/03/80 | 1,184 | 439,264 | 257,586,000 | 586 |
| | | | 13,167 | 4,755,467 | $4,651,664,621 | $ 978 |
| Increase Over Last Year's Survey | | | + 247 | + 144,606 | $ 691,984,586 | $ + 119 |

*Gasoline included in Dillon sales

| Sales Increase Per Store Per Day | Pretax Profit | Inventory Valuation Method | After Tax Profit | After Tax Profit As A % Of Sales | Profit Per Store Per Day Pretax | Profit Per Store Per Day After Tax |
|---|---|---|---|---|---|---|
| $+ 84 | $ 31,703,000 | FIFO | $ 16,948,000 | 4.45% | $73.47 | $39.28 |
| + 84 | 8,535,351 | LIFO | 4,476,110 | 4.12 | 60.70 | 31.83 |
| +117 | 13,295,000 | FIFO | 8,050,000 | 2.62 | 44.88 | 27.18 |
| + 68 | 2,195,618 | LIFO-Gas FIFO-Stores | 1,172,958 | 3.85 | 44.17 | 23.60 |
| +219 | 5,000,801 | LIFO | 3,133,502 | 1.76* | 43.68 | 27.37 |
| +107 | 4,751,246 | FIFO | 2,517,246 | 1.39 | 40.04 | 21.21 |
| +137 | 93,991,938 | LIFO | 68,815,350 | 2.59 | 38.42 | 28.13 |
| + 97 | 11,099,332 | FIFO | 5,721,287 | 2.04 | 32.71 | 16.86 |
| + 32 | 3,691,867 | FIFO | 2,006,898 | 1.96 | 31.03 | 16.86 |
| +155 | 4,342,056 | FIFO | 2,171,028 | 1.54 | 25.71 | 12.85 |
| + 35 | 1,193,129 | LIFO-Gas FIFO-Stores | 728,129 | 1.95 | 23.97 | 14.63 |
| +119 | 787,684 | FIFO | 470,684 | 1.64 | 18.77 | 11.21 |
| + 57 | 977,000 | FIFO | 586,590 | .23 | 2.22 | 1.34 |
| +119 | $181,564,022 | | $116,797,782 | 2.51% | $38.18 | $24.56 |
| | $+29,330,060 | | $+36,014,060 | +.47% | $+5.16 | $+7.04 |

**And Again the Winner:** The Circle K Corporation. Circle K operates over 1200 stores in 12 Western States. Corporate Headquarters are in Phoenix, Arizona. Mr. Fred Hervey is Chairman of the Board. Circle K has held the first place ranking in the Survey for 6 of the 10 Survey years. This year (their year ended April 30, 1980) it earned $73.47 of pretax profit per store per day. In constant dollars (adjusted for inflation) its earnings were $37.56 which exceeded the profit goal for the industry.

## AN AGGREGATE PROFIT AND LOSS STATEMENT
### For the Thirteen Chains Included in the Dollars Per Day Survey

| | | Last Year | This Year |
|---|---|---|---|
| Total Sales | 100% | $3,959,680,035 | $4,651,664,621 |
| Cost of Goods Sold | 72% | 2,850,969,625 | 3,349,198,528 |
| Gross Margin | 28% | $1,108,710,410 | $1,302,466,093 |
| Expense | 24.10% | 956,476,448 | 1,120,902,071 |
| Net Profit Before Income Tax | 3.90% | $152,233,962 | $181,564,022 |
| Net Profit After Income Tax | 2.51% | 80,783,722 | 116,797,782 |

## AN ANNUAL PROFIT AND LOSS STATEMENT
### Of the Average Store Included in the Dollars Per Day Survey

| | | Last Year | This Year |
|---|---|---|---|
| Sales | 100% | $313,535 | $356,970 |
| Cost of Goods Sold | 72% | 225,745 | 257,018 |
| Gross Margin | 28% | 87,790 | 99,952 |
| Expense | 24.10% | 75,738 | 86,017 |
| Net Profit Before Income Taxes | 3.90% | $12,052 | $13,935 |
| Net Profit After Income Taxes | 2.51% | $ 6,396 | $ 8,964 |

## PROFIT AND LOSS STATEMENT OF THE AVERAGE STORE BY DAY
### For the Chains Included in the Dollars Per Day Survey

| | | Last Year | This Year |
|---|---|---|---|
| Sales | 100% | $859.00 | $978.17 |
| Cost of Goods Sold | 72% | 618.48 | 704.29 |
| Gross Margin | 28% | $240.52 | $273.88 |
| Expense | 24.10% | 207.50 | 235.70 |
| Net Profit Before Income Taxes | 3.90% | 33.02 | $ 38.18 |
| Net Profit After Income Taxes | 2.51% | $ 17.52 | $ 24.56 |

## The Effect of Inflation on Sales

We have computed the effect of inflation on sales dollars using the Consumer Price Index as the multiplier. The average store sales increased by $43,435 this year, as shown by the Survey. Based on the previous Survey, average Store Sales needed to increase of $43,182 for the year, or $118.00 per store per day to keep pace with the Consumer Price Index.

### TENTH ANNUAL DOLLARS PER DAY SURVEY
### Store Sales versus the Consumer Price Index

| | January 1 Consumer Price Index | Avg. Daily Sales $DPD Survey | Avg. Daily Sales Needed to Keep Pace With C.P.I. (As based on 1st survey) | Avg. Annual Sales $DPD Survey | Avg. Annual Sales Needed To Keep Pace |
|---|---|---|---|---|---|
| 1971 | 119.2 | $495 | $ | $180,675 | $ |
| 1972 | 123.2 | 530 | 512 | 193,450 | 186,817 |
| 1973 | 127.7 | 579 | 530 | 211,335 | 193,502 |
| 1974 | 139.7 | 586 | 580 | 213,890 | 211,751 |
| 1975 | 156.1 | 636 | 648 | 232,140 | 236,684 |
| 1976 | 166.7 | 658 | 692 | 240,828 | 252,583 |
| 1977 | 175.3 | 723 | 728 | 263,895 | 265,772 |
| 1978 | 187.2 | 751 | 777 | 274,115 | 283,659 |
| 1979 | 204.7 | 859 | 850 | 313,535 | 310,218 |
| 1980 | 233.2 | 978 | 968 | 356,970 | 353,400 |

## Status of Sales, Margin and Expense

Note the following recap of these important areas. They have been broken down on a per day per store basis.

| | Sales | *COGS | Margin $ | Expenses | Profit | Sales Growth | Expense Growth | Profit Growth |
|---|---|---|---|---|---|---|---|---|
| 1971 | $ 495 | $ 356.40 | $ 138.60 | $ 124.15 | $ 14.45 | Base Yr. | Base Yr. | Base Yr. |
| 1972 | 530 | 381.60 | 148.40 | 130.67 | 17.73 | $+ 35 | $ 6.52 | $ 3.28 |
| 1973 | 579 | 416.55 | 162.12 | 143.34 | 18.75 | + 49 | 12.67 | 1.05 |
| 1974 | 586 | 421.92 | 164.08 | 144.24 | 19.84 | + 7 | .90 | 1.06 |
| 1975 | 636 | 457.92 | 178.05 | 156.92 | 21.16 | + 50 | 12.68 | 1.32 |
| 1976 | 658 | 473.76 | 184.24 | 160.30 | 23.94 | + 22 | 3.38 | 2.78 |
| 1977 | 723 | 520.56 | 202.44 | 177.25 | 25.19 | + 65 | 16.95 | 1.25 |
| 1978 | 751 | 540.72 | 210.28 | 182.81 | 27.47 | + 23 | 5.56 | 2.28 |
| 1979 | 859 | 618.48 | 240.52 | 207.50 | 33.02 | +108 | 24.69 | 5.55 |
| 1980 | 978 | 704.29 | 273.88 | 235.70 | 38.18 | +119 | 28.20 | 5.16 |
| Change since 1971 | $+483 | $+347.89 | $+135.28 | $+111.55 | $+23.73 | $+483 | $+111.55 | $+23.73 |

*Assuming a 72% cost of goods sold.

If we were to assume that the sales increase were full margin dollars, the expense-profit tradeoff comes out as follows:

| | |
|---|---|
| Sales Growth | $+119.00 |
| COGS on these sales 72% | 85.68 |
| Margin Growth 28% | 33.32 |
| Expense Growth | 28.16 |
| Profit Increase $DPD | $ +5.16 |

**Current Dollar Sales as Compared to Constant Dollar Sales for the Industry**

This is probably the most significant schedule in this year's survey. It's important to note the wide variations in sales growth that have appeared between chains. In 1971 the average convenience store sold $495.00 in goods from each store each day. Ten years later, the Survey reports that the average store sold $978.00 in each store each day. When that figure is adjusted for inflation however, average store sales were just $500 in 1980 in 1971 dollars. This is an increase of only $5.00 per store per day or 1% over 1971 sales. In 1971 most stores were open only 7 a.m. to 11 p.m., in 1980 a great number of chains operated most of their stores on a 24 hour basis. In terms of 1971 dollars, it is apparent there has been a significant decrease in average sales per store per day for most of the industry.

## SALES COMPARISON
## Current Dollar Sales as compared to Constant Dollar Sales for the 13 Chains in the Dollar Per Day Survey

| Dollars Per Day Ranking | 1971 $DPD Average Daily Sales | 1980 $DPD Average Dollar Sales | Sales Growth for 10 Yr. Period in Current Dollars | Percentage Sales Increase Current Dollars | 1980 Average Daily Sales in Constant Dollars | Sales Growth for 10 Year Period in Constant Dollars | Sales Growth % based on Constant Dollars |
|---|---|---|---|---|---|---|---|
| 1. Circle K | $535 | $803 | $+348 | +65% | $451 | $− 84 | −16% |
| 2. Shop & Go | 532[1] | 771 | +239 | +45% | 461[1] | − 71[1] | −13% |
| 3. Nat'l. Convenience | 418 | 1,036 | +618 | +148% | 530 | +112 | +27% |
| 4. Lil' Champ | 525[1] | 612 | + 87 | + 17% | 367[1] | −158[1] | −30% |
| 5. Dillon | 555 | 1,556[2] | +1,001 | +180% | 796[2] | +241 | +43% |
| 6. Conna | 877 | 1,538 | +761 | + 87% | 786 | − 91 | −10% |
| 7. Southland | 564 | 1,087 | +523 | + 93% | 556 | − 8 | −1.41% |
| 8. UtoteM | 391 | 826 | +435 | +111% | 422 | + 31 | + 8% |
| 9. Sunshine Jr. | 370 | 502 | +132 | + 36% | 257 | −113 | −31% |
| 10. Li'l General | 340 | 838 | +498 | +146% | 428 | + 88 | +26% |
| 11. Hop-In | 507 | 749 | +242 | + 48% | 383 | −124 | −24% |
| 12. Mini Mart | 530[3] | 684 | +154 | + 29% | 489[3] | − 41[3] | − 8% |
| 13. Munford | 307 | 586 | +279 | + 91% | 300 | − 7 | − 2% |
| Average for all companies | $495 | $978 | $+483 | 98% | $500 | $+ 5 | + 1% |

[1]Base Year 1973 - 1980 CPI is 195.6% of 1971 CPI
[2]Gasoline included in store sales 1980 CPI is 166.9% of 1973 CPI
[3]Base Year 1975 - 1980 CPI is 139.8% of 1975 CPI

## SALES GROWTH RANKING
## For the 13 Chains in the Survey
## in Constant Dollars Over the Base Year

| | | Sales Growth in Constant Dollars | Sales Growth % Based on Constant Dollars |
|---|---|---|---|
| 1. | Dillon | +241* | +43% |
| 2. | National Convenience | +112 | +27% |
| 3. | Li'l General | + 88 | +26% |
| 4. | UtoteM | + 31 | + 8% |
| 5. | Munford | – 7 | – 2% |
| 6. | Southland | – 8 | – 1% |
| 7. | Mini Mart | – 41 | – 8% |
| 8. | Shop & Go | – 71 | –13% |
| 9. | Circle K | – 84 | –16% |
| 10. | Conna | – 91 | –10% |
| 11. | Sunshine Jr. | –113 | –31% |
| 12. | Hop-In | –124 | –24% |
| 13. | Lil' Champ | –158 | –30% |
| Average Sales Growth in constant dollars | | $+ 5 | 1% |

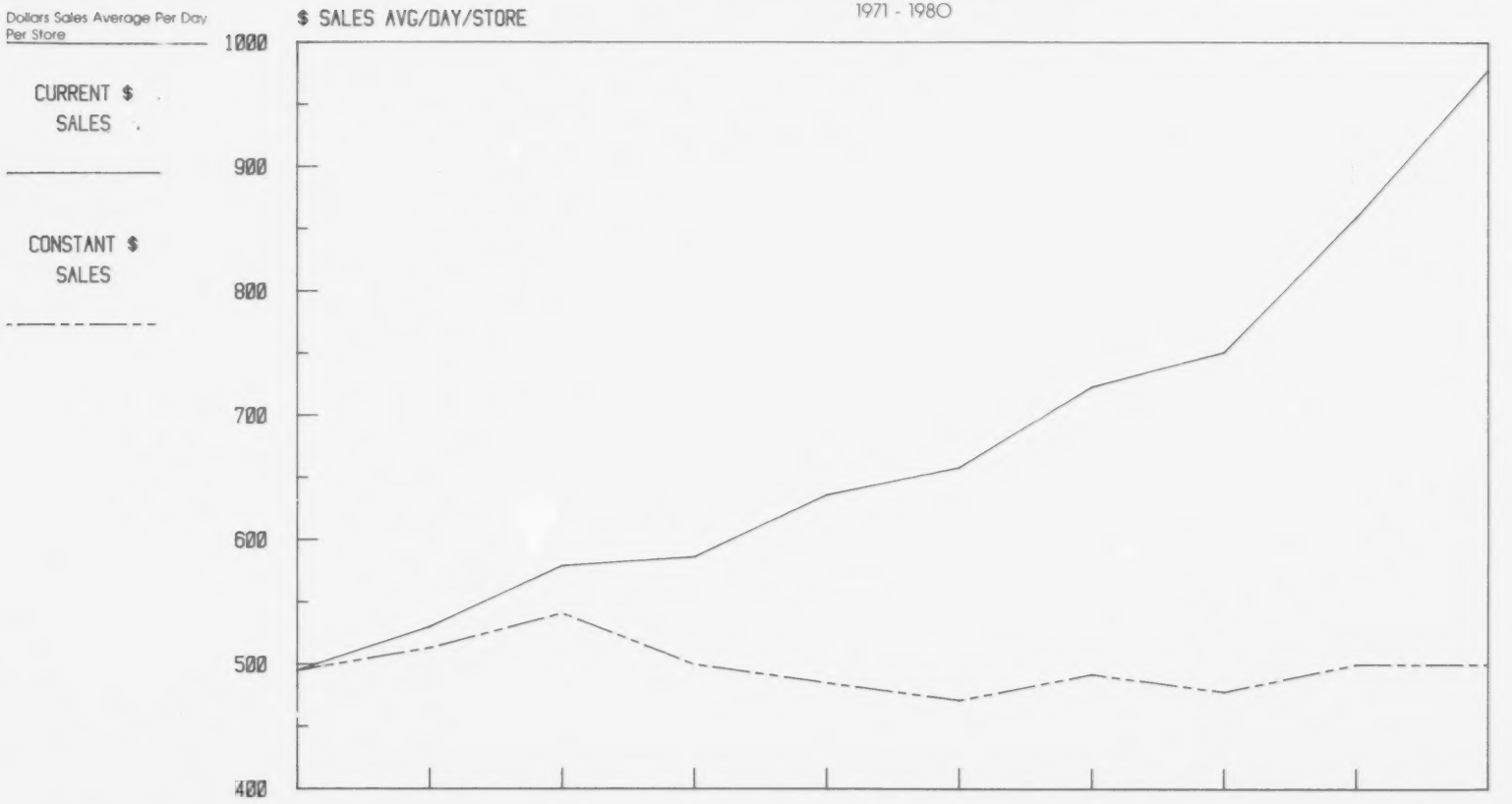
*Cline included in Dillon sales.

# TENTH ANNUAL DOLLARS PER DAY SURVEY

## SALES COMPARISON: SMALL FOOD INDUSTRY

CURRENT DOLLARS VS CONSTANT DOLLARS

1971 - 1980




| Year | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|---|---|---|
| Average Daily Sales as reported in the Dollars Per Day Surveys 1971-1980 | $495 | $530 | $579 | $586 | $636 | $658 | $723 | $751 | $859 | $978 |
| Constant Dollar Sales - Sales adjusted for Inflation | 495 | 513 | 541 | 500 | 485 | 471 | 492 | 478 | 500 | 500 |
| Real Sales growth from base tear sales | | + 18 | + 46 | + 5 | − 10 | − 24 | − 3 | − 17 | + 5 | + 5 |
| C.P.I. Urban Consumers 1967 = 100 | 119.2 | 123.2 | 127.7 | 139.7 | 156.1 | 166.7 | 175.3 | 187.2 | 204.7 | 233.2 |

**Current Dollar Sales as Compared to Constant Dollar Sales for Southland**

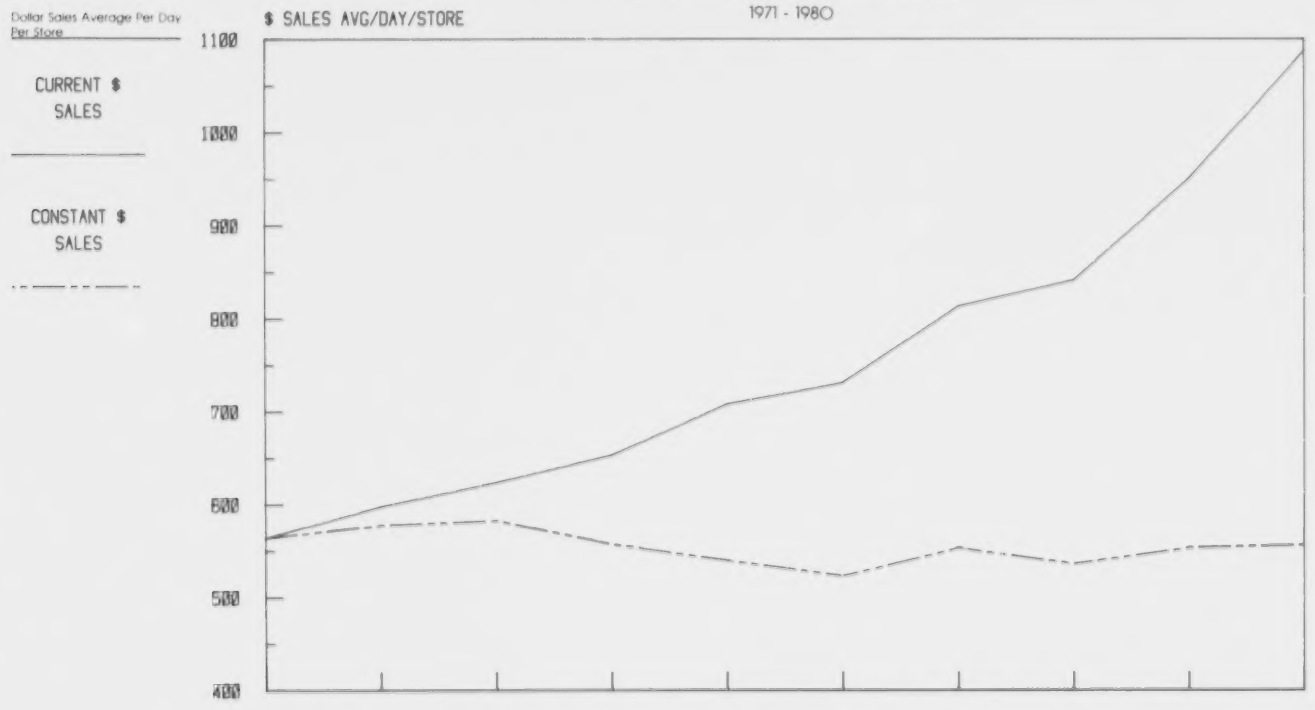
The Southland 10K for 1971 states that most stores operated from 7 a.m. to 11 p.m. The 10K of 12-31-79 states that 5,847 stores or 86% operated 24 hours a day and an additional 685 or 10% operated for extended hours beyond 7 a.m. to 11 p.m. This schedule shows that Southland had a sales decrease of 1.41% in 1980 on average store sales in 1971 dollars from 1971. If night sales are factored in, we estimate that Southland has suffered sales decreases by about 20% per store per day between 1971 and 1979.

TENTH ANNUAL DOLLARS PER DAY SURVEY

SALES COMPARISON: SEVEN ELEVEN STORES

CURRENT DOLLARS VS CONSTANT DOLLARS

1971 - 1980

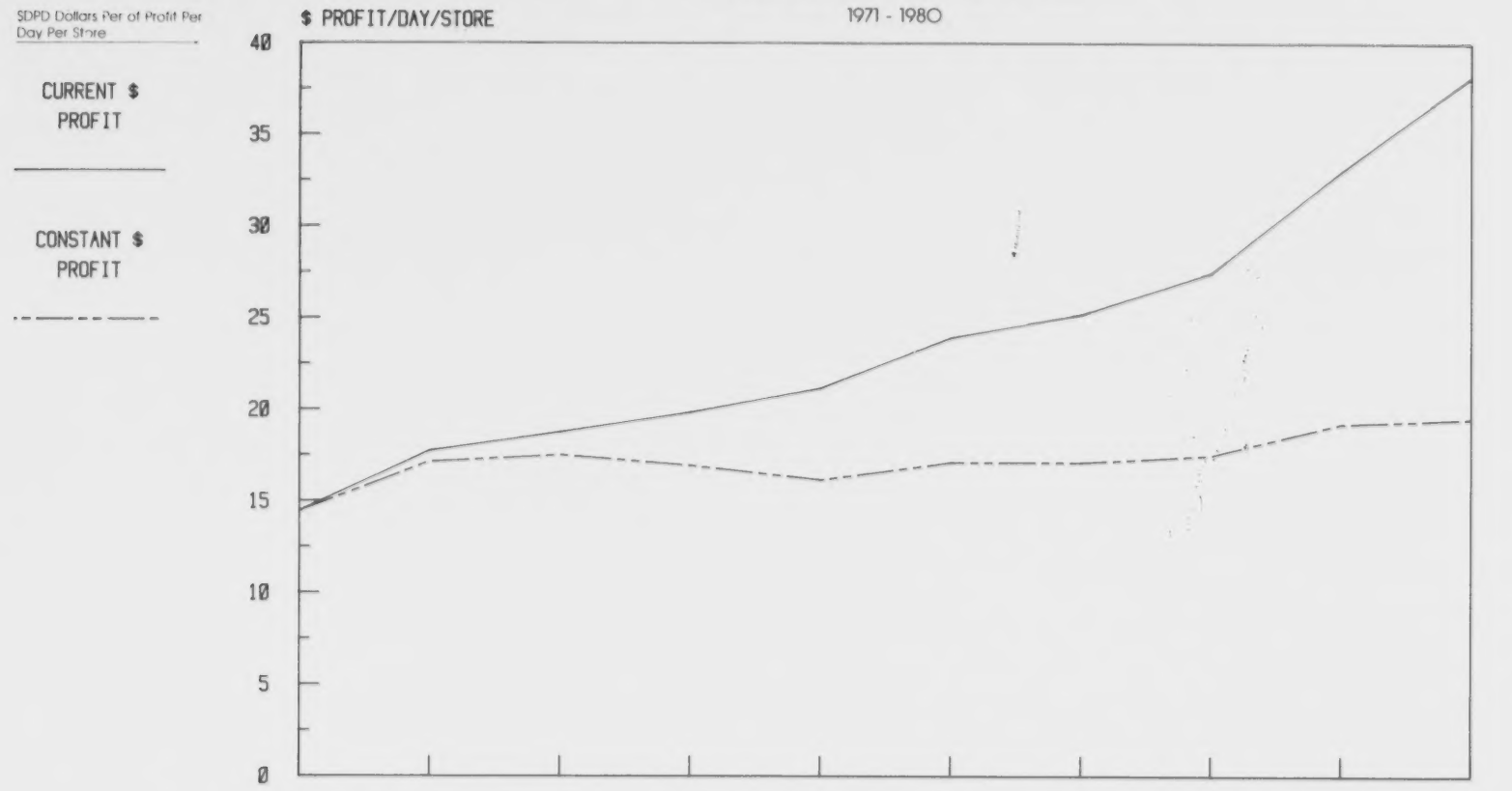



| Year | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|---|---|---|
| Average Daily Sales in current dollars | $564 | $598 | $624 | $653 | $708 | $731 | $813 | $841 | $950 | $1,087 |
| Constant Dollar sales Adjusted for Inflation | $564 | $578 | $583 | $557 | $540 | $523 | $553 | $536 | $553 | $556 |
| Real Sales Growth from Base Year Sales | – | + $14 | + 19 | – 7 | – 24 | – 41 | – 11 | – 28 | – 11 | – 8 |
| CPI-Urban Consumers 1967 = 100 | 119.2 | 123.2 | 127.7 | 139.7 | 156.1 | 166.7 | 175.3 | 187.2 | 204.7 | 233.2 |

# TENTH ANNUAL DOLLARS PER DAY SURVEY

## PROFIT COMPARISON: SMALL FOOD INDUSTRY

### CURRENT DOLLARS VS CONSTANT DOLLARS




| Year | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|---|---|---|
| Dollars of Profit as reported in the Dollars Per Day Survey 1971-1980 | $14.45 | $17.73 | $18.75 | $19.84 | $21.16 | $23.94 | $25.19 | $27.47 | $33.02 | $38.18 |
| Dollars of Profit Per Day in Constant Dollars | $14.45 | 17.15 | 17.50 | 16.93 | 16.15 | 17.12 | 17.12 | 17.50 | 19.23 | 19.52 |
| Real Profit Growth from Base Year Profits | | + 2.70 | + 3.05 | + 2.48 | + 1.70 | + 2.67 | + 2.67 | + 3.05 | + 4.78 | + 5.07 |
| C.P.I. Urban Consumers 1967 = 100 | 119.2 | 123.2 | 127.7 | 139.7 | 156.1 | 166.7 | 175.3 | 187.2 | 204.7 | 233.2 |

## Average $DPD Results for all Ten Years of the Survey

| | Average Pretax $ Profit Per Day | Increase |
|---|---|---|
| 1971 Dollars Profit Per Day Per Store | $14.45 | Base Year |
| 1972 Dollars Profit Per Day Per Store | 17.73 | $ +3.28 |
| 1973 Dollars Profit Per Day Per Store | 18.78 | +1.05 |
| 1974 Dollars Profit Per Day Per Store | 19.84 | +1.06 |
| 1975 Dollars Profit Per Day Per Store | 21.16 | +1.32 |
| 1976 Dollars Profit Per Day Per Store | 23.94 | +2.78 |
| 1977 Dollars Profit Per Day Per Store | 25.19 | +1.25 |
| 1978 Dollars Profit Per Day Per Store | 27.47 | +2.28 |
| 1979 Dollars Profit Per Day Per Store | 33.02 | +5.55 |
| 1980 Dollars Profit Per Day Per Store | 38.18 | +5.16 |

## Other Average Figures for the Chains in This Survey are:

| | 4th Survey | 5th Survey | 6th Survey | 7th Survey | 8th Survey | 9th Survey | This Survey |
|---|---|---|---|---|---|---|---|
| Average sales per day per store | $ 586 | $ 636 | $ 658 | $ 723 | $ 751 | $ 859 | $ 978 |
| Sales growth this year's average day over last year's average day | $ +7 | $ +50 | $ +22 | $ +65 | $ +28 | $ +108 | +119 |
| Total sales per year per store | $ 213,890 | $ 232,140 | $ 240,828 | $ 263,895 | $ 274,115 | $ 313,535 | $ 356,970 |
| Sales per week per store | $ 4,113 | $ 4,452 | $ 4,606 | $ 5,061 | $ 5,257 | $ 6,013 | $ 6,846 |
| Percentage of profit on sales pretax | 3.39% | 3.32% | 3.64% | 3.56% | 3.65% | 3.84% | 3.90% |
| Percentage of profit on sales after taxes | 1.77% | 1.71% | 1.92% | 1.84% | 1.98% | 2.04% | 2.51% |
| Total pretax profit on sales per store annually | $ 7,242 | $ 7,723 | $ 8,762 | $ 9,194 | $ 10,026 | $ 12,052 | $ 13,935 |
| Total after tax profit per store annually | $ 3,789 | $ 3,978 | $ 4,523 | $ 4,752 | $ 5,431 | $ 6,395 | $ 8,964 |
| Pretax dollars of profit per day per store | $ 19.84 | $ 21.16 | $ 23.94 | $ 25.19 | $ 27.47 | $ 33.02 | $ 38.18 |
| After tax dollars profit per day per store | $ 10.38 | $ 10.90 | $ 12.36 | $ 13.02 | $ 14.88 | $ 17.52 | $ 24.56 |

### Profit Per Store Per Day

If one forgets about inflation, the average pretax profit per store per day for the thirteen chains was $38.18 for the year. This is an increase of $5.16 per store per day over the $33.02 figure as reported in last year's survey. It represents a 16% increase in $DPD for the year. Eleven chains increased their $DPD profit for the year and only two chains had decreases in their $DPD.

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Profit and Sales Growth Schedule

| $DPD Ranking | Company | Pretax $ Profit Per Day Per Store Growth | Sales Growth Per Store Per Day |
|---|---|---|---|
| 1. | Circle K | $+25.94 | $+ 84 |
| 2. | Shop & Go | +17.00 | + 84 |
| 3. | National Convenience | + 8.36 | +117 |
| 4. | Lil' Champ | + 6.94 | + 68 |
| 5. | Dillon | + 1.85 | +219 |
| 6. | Conna | +14.48 | +107 |
| 7. | Southland | − 2.37 | +137 |
| 8. | UtoteM | +17.65 | + 97 |
| 9. | Sunshine Jr. | + 8.50 | + 32 |
| 10. | Li'l General | + 9.99 | +155 |
| 11. | Hop-In | − 1.33 | + 35 |
| 12. | Mini Mart | +16.25 | +119 |
| 13. | Munford | + 3.00 | + 57 |
| Totals | | $+ 5.16 | $+119 |

## AVERAGE SALES PER STORE PER DAY RANKING

| | Company | Sales Per Day |
|---|---|---|
| 1. | Dillon* | $1,556 |
| 2. | Conna | 1,538 |
| 3. | Southland | 1,087 |
| 4. | National Convenience | 1,036 |
| 5. | Circle K | 883 |
| 6. | Li'l General | 838 |
| 7. | UtoteM | 826 |
| 8. | Shop & Go | 771 |
| 9. | Hop-In | 749 |
| 10. | Mini Mart | 684 |
| 11. | Lil' Champ | 612 |
| 12. | Munford | 586 |
| 13. | Sunshine Jr. | 502 |
| Average Daily Sales Per Store | | $978 |

*Gasoline sales included in Dillon sales

## Southland Effect on the Survey

Southland now operates 52% of the stores included in the Survey. Because of this, their results impact heavily upon the total results of the Survey.

Here are the results of the Survey without Southland. The $DPD results are almost the same this year. This has not been the case in former years, when Southland has generally far outpaced the industry in $DPD.

| | 1st Survey | 2nd Survey | 3rd Survey | 4th Survey | 5th Survey | 6th Survey | 7th Survey | 8th Survey | 9th Survey | This Survey |
|---|---|---|---|---|---|---|---|---|---|---|
| Dollars Per Day | | | | | | | | | | |
| Survey Average | $14.45 | $17.73 | $18.78 | $19.84 | $21.16 | $23.94 | $25.19 | $27.47 | $33.02 | 38.18 |
| Southland | 17.15 | 19.35 | 20.38 | 20.64 | 25.45 | 30.04 | 32.19 | 35.71 | 40.79 | 38.42 |
| Southland's Performance Above the Avg. | $+2.70 | $+1.62 | $+1.60 | $+ .80 | $+4.29 | $+6.10 | $+7.00 | $+8.24 | $+7.77 | $+ .24 |

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Comparison of the Dollars Per Day Results of the Twelve Other Companies In the Survey With Those of Southland

| | Stores | Store Days | Small Store Sales |
|---|---|---|---|
| 12 Companies without Southland | 6,362 | 2,309,340 | $1,992,956,621 |
| Southland | 6,805 | 2,446,127 | 2,658,708,000 |
| 13 Companies Including Southland | 13,167 | 4,755,467 | $4,651,664,621 |

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Inventory Accounting Method Used

| $DPD Ranking | Company | Lifo vs. Fifo | Gas Only |
|---|---|---|---|
| 1. | Circle K | Fifo | |
| 2. | Shop & Go | Lifo | |
| 3. | National Convenience | Fifo | |
| 4. | Lil' Champ | Lifo | Fifo |
| 5. | Dillon | Lifo | |
| 6. | Conna | Fifo | |
| 7. | Southland | Lifo | |
| 8. | UtoteM | Fifo | |
| 9. | Sunshine Jr. | Fifo | |
| 10. | Li'l General | Fifo | |
| 11. | Hop-In | Fifo | Lifo |
| 12. | Mini Mart | Fifo | |
| 13. | Munford | Fifo | |

Southland converted its inventory accounting to LIFO this year.

Lil' Champ converted all inventories but gasoline to LIFO and Hop-In converted gasoline inventory to LIFO.

| Average Sales Per Day Per Store | Pre Tax Profit | After Tax Profit | After Tax Profit as a % of Sales | Pre Tax Profit Per Store Per Day |
|---|---|---|---|---|
| $ 863 | $87,572,084 | $ 47,982,432 | 2.41% | $38.10 |
| 1,087 | 93,991,938 | 68,815,350 | 2.59% | 38.42 |
| $ 978 | $181,564,022 | $116,797,782 | 2.51% | $38.18 |

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Store Growth Schedule During Year

| $DPD Ranking | Company | Stores Opened or Purchased | Stores Closed or Sold | Net Store Growth |
|---|---|---|---|---|
| 1. | Circle K | 64 | 22 | 42 |
| 2. | Shop & Go | 11 | 9 | 2 |
| 3. | National Convenience | 39 | 28 | 11 |
| 4. | Lil' Champ | 8 | 0 | 8 |
| 5. | Dillon | 38 | 19 | 19 |
| 6. | Conna | 28 | 8 | 20 |
| 7. | Southland | 666 | 460 | 206 |
| 8. | UtoteM | 29 | 36 | − 7 |
| 9. | Sunshine Jr. | 28 | 8 | 20 |
| 10. | Li'l General | 5 | 56 | − 51 |
| 11. | Hop-In | [1] 16 | 9 | 8 |
| 12. | Mini Mart | 11 | 15 | − 4 |
| 13. | Munford | 92 | 119 | − 27 |
| Totals | | 1,035 | 789 | +247 |

1974 Fourth Annual Survey showed net store growth of +1,042 stores
1975 Fifth Annual Survey showed net store growth of +928 stores
1976 Sixth Annual Survey showed net store growth of +672 stores
1977 Seventh Annual Survey showed net store growth of +360 stores
1978 Eighth Annual Survey showed net store growth of +644 stores
1979 Ninth Annual Survey showed net store growth of +323
1980 This Survey shows a net store growth of +247 stores

[1]Hop-In purchased 15 stores during their fiscal year, the net store figure in their report adds incorrectly by one store.

Combined the Survey has recorded 4,216 store openings, 3,138 store closings, for a net store growth of 1,078 stores in the past seven years.

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Showing Pretax Profits and Dollars Per Store Per Day
### Assuming a Lifo Adjustment of $3,000 Per Store

| $DPD Ranking | Company | Unadjusted Pretax Profits | Unadjusted Profit Per Store Per Day Pretax | # Stores | $3,000 Lifo Adjustment Per Store |
|---|---|---|---|---|---|
| 1. | Circle K | $ 31,703,000 | $73.47 | 1,200 | $ 3,600,000 |
| 2. | Shop & Go | 8,535,351 | 60.70 | | On Lifo |
| 3. | National Convenience | 13,295,000 | 44.88 | 817 | 2,451,000 |
| 4. | Lil' Champ | 2,195,618[3] | 44.17 | 138 | 172,638[3] |
| 5. | Dillon | 5,000,801 | 43.68 | | On Lifo |
| 6. | Conna | 4,751,246 | 40.04 | 336 | 1,008,000 |
| 7. | Southland | 93,991,938[1] | 38.42 | | On Lifo |
| 8. | UtoteM | 11,099,332 | 32.71 | 927 | 2,781,000 |
| 9. | Sunshine Jr. | 3,691,867 | 31.03 | 336 | 1,008,000 |
| 10. | Li'l General | 4,342,056 | 25.71 | 464 | 1,392,000 |
| 11. | Hop-In | 1,193,129[2] | 23.97 | 140 | 146,860[2] |
| 12. | Mini-Mart | 787,684 | 18.77 | 115 | 345,000 |
| 13. | Munford | 977,000 | 2.22 | 1,184 | 3,552,000 |
| | | $181,564,022 | $38.18 | 5,657 | $16,456,498 |

[1]7-Elevens LIFO adjustment was $21,160,000 or $3,109 per store. Had they not changed to LIFO, their pretax earnings would have been $21,160,000 higher. Their DPD would have been $8.65 higher.

[2]Hop-In's LIFO adjustment was $273,140 for gasoline only. Spread over their 140 stores, this adjustment lowered pretax profits by $1,951 per store, and lowered Hop-In's $DPD by $5.49. We have assigned another $1,049 per store adjustment to Hop-In since only gasoline was changed to LIFO.

[3]Lil' Champ's LIFO adjustment was $240,044 for all inventories but gasoline. This reduced their pretax profit by $240,044 and their $DPD by $4.83. This was on inventory adjustment of $1,739 per store. In this schedule we have assigned another $1,251 per store as a LIFO adjustment.

| Pretax Profit Adjusted for $3,000 Per Store Lifo Charge | Pretax Profit Per Store Per Day Adjusted for $3,000 Per Store Lifo Charge | Lifo $ Profit Per Store Per Day Reduction | Adjusted $ Profit Per Store Per Day Ranking |
|---|---|---|---|
| $ 28,103,000 | $65.13 | $-8.34 | 1 |
| 535,351 | 60.70 | None | 2 |
| 10,844,000 | 36.61 | -8.27 | 6 |
| 2,022,980 | 40.69 | -3.48 | 4 |
| 5,000,801 | 43.68 | None | 3 |
| 3,743,246 | 31.54 | -8.50 | 7 |
| 93,991,938 | 38.42 | None | 5 |
| 8,318,332 | 24.51 | -8.20 | 8 |
| 2,683,867 | 22.55 | -8.48 | 9 |
| 2,950,056 | 17.47 | -8.24 | 11 |
| 1,046,269 | 21.01 | -2.96 | 10 |
| 442,684 | 10.55 | -8.22 | 12 |
| (2,575,000) | (5.86) | -8.08 | 13 |
| $165,107,524 | $34.72 | | |

## Recap of Stores Owned Versus Stores Leased As Noted in the Annual Reports and 10 K's

| $DPD Ranking | Company | Stores in Operation | Stores Where Real Estate Owned | Increase or Decrease From Last Year | Stores Leased* |
|---|---|---|---|---|---|
| 1. | Circle K | 1,200 | Elects to lease, leases substantially all stores. | | |
| 2. | Shop & Go | 381 | 150 | + 5 | 231 |
| 3. | National Convenience | 817 | 46 | +18 | 771 |
| 4. | Lil' Champ | 138 | 66 | Not Known | 72 |
| 5. | Dillon | 324 | 50 stores including supermarkets | Not known | 274 |
| 6. | Conna | 336 | 0 | None | 336 |
| 7. | Southland | 6,805 | 1,559 | +84 | 5,246[1] |
| 8. | UtoteM | 927 | 363 | +14 | 564 |
| 9. | Sunshine Jr. | 336 | 36 | -10 | 300 |
| 10. | Li'l General | 464 | 70 | + 3 | 394 |
| 11. | Hop-In | 140 | 4 | + 3 | 136 |
| 12. | Mini Mart | 115 | -- | -- | Virtually all leased |
| 13. | Munford | 1,184 | 35 | None | 1,149 |
| Totals | | 13,167 | 2,379 | 117 | |

*Does not include stores owned by principals as listed in the Proxy Statements.
[1]Southland leases 1,065 stores from the Employee Savings and Profit Sharing Plan.

## Store Closings During the Year

| $DPD Ranking | Company | Stores Closed Or Sold | % of Stores Operated |
|---|---|---|---|
| 1. | Circle K | 22 | 1.83% |
| 2. | Shop & Go | 9 | 2.36 |
| 3. | National Convenience | 28 | 4.77 |
| 4. | Lil' Champ | 0 | 0 |
| 5. | Dillon | 19 | 5.86 |
| 6. | Conna | 8 | 2.38 |
| 7. | Southland | 460 | 6.61 |
| 8. | UtoteM | 36 | 3.88 |
| 9. | Sunshine Jr | 8 | 2.38 |
| 10. | Li'l General | 56 | 12.06 |
| 11. | Hop-In | 9 | 6.42 |
| 12. | Mini Mart | 15 | 13.04 |
| 13. | Munford | 119 | 10.05 |
| Total | | 789 stores | 5.99% |

These chains combined operated 13,167 stores at the close of their last fiscal year.
1974 Fourth Annual Survey showed 172 store closings
1975 Fifth Annual Survey showed 244 store closings
1976 Sixth Annual Survey showed 315 store closings
1977 Seventh Annual Survey showed 464 store closings
1978 Eighth Annual Survey showed 399 store closings
1979 Ninth Survey showed 755 store closings
1980 This Survey shows 789 store closings.
Combined the Survey has recorded 3,138 store closings in the past 7 years.

## New Stores Planned

| $DPD Ranking | Company | Stores Planned Last Yr. | Actual Net New Stores Opened or Acquired | Stores Planned This Year |
|---|---|---|---|---|
| 1. | Circle K | 60-70 | 42 | 40 |
| 2. | Shop & Go | 25-30 | 2 | 25-30 |
| 3. | National Convenience | 50 | 11 | 15 under construction or committed |
| 4. | Lil' Champ | Sound & Steady Growth | 8 | Quality Growth |
| 5. | Dillon | 45 | 19 | 43 |
| 6. | Conna | 40 or more | 20 | 48 purchased 1st Quarter 81 |
| 7. | Southland | Didn't state | 206 | 40 or more - 220 under construction 12-29-79 |
| 8. | UtoteM | 50 new stores for net growth of 30 | −7 | 40 |
| 9. | Sunshine Jr. | 25-30 | 20 | 25-30 |
| 10. | Li'l General | Didn't state | −51 | Doesn't State - 11 under construction 55 negotiating |
| 11. | Hop-In | More to be constructed | 8 | Have purchased 2 - 10 under construction |
| 12. | Mini Mart | Proceed With caution | −4 | 4 |
| 13. | Munford | Didn't state | −27 | Strong expansion |
| Totals | | 295 - 315+ | +247 | 538 - 548+ |

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Number and Percentage of Stores with Gasoline Units

| $DPD Ranking | Company | # of Stores | # of Gasoline Units | % of Stores With Gasoline | # of Gasoline Units Added During Year | # of Stores Added During Year |
|---|---|---|---|---|---|---|
| 1. | Circle K | 1,200 | 726 | 61% | 45 | 42 |
| 2. | Shop & Go | 381 | 225 | 59% | 0 | 2 |
| 3. | National Convenience | 817 | 446 | 54% | 28 | 11 |
| 4. | Lil' Champ | 138 | 32 | 23% | 1 | 8 |
| 5. | Dillon | 324 | 200 | 62% | 14 | 19 |
| 6. | Conna | 336 | 248 | 74% | 30 | 20 |
| 7. | Southland | 6,805 | 2,107 | 31% | 250 | 206 |
| 8. | UtoteM | 927 | 539 | 58% | 28 | −7 |
| 9. | Sunshine Jr. | 336 | 260 | 77% | 30 | 20 |
| 10. | Li'l General | 464 | 167 | 36% | 2 | −51 |
| 11. | Hop-In | 140 | 114 | 81% | 6 | 8 |
| 12. | Mini Mart | 115 | 11 | 10% | 0 | −4 |
| 13. | Munford | 1,184 | 555 | 47% | 43 | −27 |
| Totals | | 13,167 | 5,630 | 42.76% | 477 | 247 |

## Gasoline

Casoline facilities continue to increase both in number and as a percentage of store units in the Survey. All the chains in the Survey have gasoline units.

| | No. of Stores | No. of Stores With Gas Units | No. gas units Added During Year | % of Stores With Gas |
|---|---|---|---|---|
| 1974 - Fourth Survey | 9,258 | 1,964 | | 21.21% |
| 1975 - Fifth Survey | 10,143 | 2,147 | 194 | 21.16 |
| 1976 - Sixth Survey | 11,356 | 2,786 | 557 | 24.53 |
| 1977 - Seventh Survey | 11,953 | 3,792 | 959 | 31.72 |
| 1978 - Eighth Survey | 12,597 | 4,584 | 792 | 36.38 |
| 1979 - Ninth Survey | 12,920 | 5,153 | 569 | 39.88 |
| 1980 - Tenth Survey | 13,167 | 5,630 | 447 | 42.76 |

## Dollars Per Day Information on Gasoline Operations in Small Food Stores

Each year we obtain better reporting on gasoline operations. During the year an additional 477 gasoline units were added, even though there was a net increase of only 247 food stores. 42.76% of the stores operated by these chains now sell gasoline.

Most of the chains do not own their own gasoline equipment. The equipment and the gasoline is generally installed by a gasoline supplier who makes the investment in the equipment and pays the company a commission based on the number of gallons pumped by the unit. Circle K, National Convenience and Southland apparently own most of their units. Hop-In owns a portion of their dispensing facilities. Convenient owns their installations and their franchises operate on a commission from them. The basic mode for most of the units of other chains is a commission on sales.

The method of ownership, the source of supply, and the function of the owner of the gasoline operation has a great effect on the margin from gasoline. Some of the wide variations in $DPD can be explained by understanding this aspect of a particular company's approach to the gasoline business.

### TENTH ANNUAL DOLLARS PER DAY SURVEY
### Projected Gasoline Margin Possible From a Typical Small Store
### Two Pumper Unit at the Federal Maximum Margin 16.8¢ Per Gallon

| Refiner Supplied - Company Owned | |
|---|---|
| Gallonage per year | 300,000 gallons |
| Gallonage per month | 25,000 gallons |
| Gallonage per day | 822 gallons |
| Gasoline operating days | 365 |
| Total margin at 16.8¢ per year | $50,400 |
| Total margin at 16.8¢ per month | 4,200 |
| Total margin at 16.8¢ per unit per day | $138.10 |

## Conna

Year ended May 25, 1980
248 gasoline units

| | |
|---|---|
| Total gasoline sales as stated in the annual report | $107,838,000 |
| Gasoline gross profit margin as stated | 8.02% |
| Total dollars of gasoline margin | $ 8,648,608 |
| Gasoline Operating days | 84,812 |
| Gasoline margin per gas unit per day | $101.97 |

**Hop-In:**

Year ended June 30, 1980
Operates 114 Gasoline Units
Company Operated 69
Commission Operated 45

| | 1979 | 1980 |
|---|---|---|
| Number of gas units - end of year | 108 | 114 |
| Total gasoline operating days | 35,943 | 40,462 |
| Average gallons of gasoline sold per unit per month | 29,137 | 20,459 |
| Gasoline Commissions | | |
| Supplier Owned Units: 45 | $270,106 | $529,712 |
| Gasoline Commission per gas unit per day | $16.44 | $32.25 |
| Gasoline Operating days | 16,425 | 16,425 |
| Gasoline Margin at | | |
| Company Owned Units: 69 | | |
| Dollar Gas Sales | $10,423,400 | $16,933,984 |
| Cost of gasoline | 9,603,606 | 15,587,126 |
| Gasoline Margin | $ 819,794 | $ 1,346,858 |
| Gas operating days company owned units | 19,518 | 24,037 |
| Gasoline margin per company owned units | $42.00 | $56.03 |
| Total Gas Income | | |
| Commission | $270,106 | $529,712 |
| Gas margin-company owned units | 819,794 | 1,346,858 |
| Total gas income | $1,089,900 | $1,876,570 |
| Total gas days | 35,943 | 40,462 |
| Gas income per gas unit per day | $30.32 | $46.38 |
| Gas income divided by total store operating days | $24.48 | $37.71 |
| Total company pretax profit dollars per day | $25.30 | $23.97 |

## UtoteM*

| | Year Ended 2-28-79 | Year Ended 2-29-80 |
|---|---|---|
| # of gasoline units in operation | 511 | 539 |
| # of gasoline unit operating days | 182,672 | 192,150 |
| Total gasoline commission | $3,134,000 | $7,012,000 |
| Gasoline commission per gas unit per day | $17.16 | $36.49 |

Excerpt from the 10K of the Fairmont Foods Company, February 29, 1980

As of February 29, 1980, approximately 539 stores have arrangements with distributors of gasoline providing for sale of the distributor's gasoline on consignment, on a self-service basis. Sales are made from facilities owned by distributors in a portion of each store's premises leased to the distributor. Fairmont receives a commission based on the gasoline distributor's gross profits from these sales. Fairmont's gasoline commissions amounted to approximately $7,012,000 for fiscal 1980, compared with $3,134,000 for fiscal 1979. Although there is no allocation of marketing, general or administrative expenses to the sale of gasoline, Fairmont estimates that incremental costs associated with handling gasoline are approximately 15% of each commission dollar. As a result, commissions contribute significantly to Fairmont's operating earnings. Fairmont intends to increase the number of its convenience stores offering gasoline, subject to zoning restrictions, the availability of gasoline supplies and other restraints.

## Shop & Go

Year ended April 3, 1980

Gasoline is sold at 225 locations; a rental is received for gallons pumped. Total gallonage averaged 3,700,000 gallons per month in both 1979 and 1980.

| | 1979 | 1980 |
|---|---|---|
| Rentals received based on gasoline sales | $853,919 | $2,412,763 |
| Gasoline operating days | 81,900 | 83,475 |
| Gas margin per unit per days | $10.42 | $28.90 |
| Yearly gallonage | 44,400,000 | 44,400,000 |
| Month gallonage | 16,444 | 16,444 |
| Daily gallonage | 532 | 532 |
| Rental received per gallon pumped | $1.94 | $5.43 |

## Gasoline Dollars Per Day Per Gas Unit Versus Total Pretax Dollars Per Day Profit

| | Gasoline Margin $DPD | Effect on $DPD for Entire Company |
|---|---|---|
| Conna | $101.93 | $72.88[1] |
| Hop-In | 46.38 | 37.71 |
| UtoteM | 36.49 | 20.67 |
| Shop & Go | 28.90 | 17.16 |

[1]Part of the gas margin is given to the franchise operator so the financial effect on Conna would not be this great.

## Year Covered

This report covers the latest full year reported by these chains. Years included range from Mini Mart's fiscal year ending August 31, 1979 to National Convenience Stores fiscal year ending June 30, 1980. The annual reports for these years were received by the stockholders beginning with the receipt of Mini Mart's report on February 12, 1980. National Convenience Stores report was received on October 6, 1980. Here is a schedule showing the date of the fiscal year's end and the dates the reports were received by stockholders.

### ANNUAL REPORT
### Date of Receipt

| $DPD Ranking | Company | Year Ended | Report Recd. |
|---|---|---|---|
| 1. | Circle K | 4/30/80 | 8/10/80 |
| 2. | Shop & Go | 4/03/80 | 7/12/80 |
| 3. | National Convenience | 6/30/80 | 10/06/80 |
| 4. | Lil' Champ | 5/03/80 | 8/11/80 |
| 5. | Dillon | 6/28/80 | 9/26/80 |
| 6. | Conna | 5/25/80 | 9/12/80 |
| 7. | Southland | 12/31/79 | 3/29/80 |
| 8. | UtoteM | 2/29/80 | 7/12/80 |
| 9. | Sunshine Jr. | 12/30/79 | 5/08/80 |
| 10. | Li'l General | 12/29/79 | 3/17/80 |
| 11. | Hop-In | 6/30/80 | 10/04/80 |
| 12. | Mini Mart | 8/31/79 | 2/12/80 |
| 13. | Munford | 1/03/80 | 3/27/80 |

### ANNUAL DOLLARS PER DAY SURVEY
### Return on Shareholders Equity

| $DPD Ranking | Company | Return on Beginning Shareholders' Equity |
|---|---|---|
| 1. | Circle K | 33.35% |
| 2. | Shop & Go | 32.41 |
| 3. | National Convenience | 30.90 |
| 4. | Lil' Champ | 17.80 |
| 5. | Dillon | 17.95 |
| 6. | Conna | 34.40 |
| 7. | Southland | 22.20 |
| 8. | UtoteM | 8.89 |
| 9. | Sunshine Jr. | 17.26 |
| 10. | Li'l General | 75.45 |
| 11. | Hop-In | 22.20 |
| 12. | Mini Mart | 14.40 |
| 13. | Munford | 7.18 |

Return on equity based on all of the operations of these companies, not just the small store operations.

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Cash Dividends Paid Per Share During Year

| $DPD Ranking | Company | Common Stock | Preferred Stock |
|---|---|---|---|
| 1. | Circle K | .5825 | |
| 2. | Shop & Go | .27 | |
| 3. | National Convenience | .70 | |
| 4. | Lil' Champ | .24 | |
| 5. | Dillon | 1.08 | |
| 6. | Conna | .37 | |
| 7. | Southland | .81 | |
| 8. | UtoteM | .76 | 1.00 |
| 9. | Sunshine Jr. | .30 | |
| 10. | Li'l General | .65 | |
| 11. | Hop-In | .225 | |
| 12. | Mini Mart | — | |
| 13. | Munford | — | .40 |

### Common Stock Price Range During Year
### As Shown in Annual Report

| $DPD Ranking | Company | High | Low | Closing Stock Price 10/31/80 |
|---|---|---|---|---|
| 1. | Circle K | 13-1/8 | 7-5/8 | 14-1/4 |
| 2. | Shop & Go | 8-7/8 | 4-7/8 | 10-1/2 |
| 3. | National Convenience | 17-1/2 | 10-7/8 | 10-1/2 |
| 4. | Lil' Champ | 12-1/4 | 9-1/4 | 15-1/2 |
| 5. | Dillon | 23-7/8 | 14 | 14-7/8 |
| 6. | Conna | 18-3/4 | 8-7/8 | 16-3/4 |
| 7. | Southland | 31-1/8 | 24-3/8 | 22-1/4 |
| 8. | UtoteM | 15 | 8-3/8 | Merged |
| 9. | Sunshine Jr. | 10-1/4 | 5-1/2 | 9 |
| 10. | Li'l General | 23 | 9-5/8 | 19 |
| 11. | Hop-In | 13-1/2 | 8-1/2 | 12-1/2 |
| 12. | Mini Mart | .62-1/4 | .50 | not listed |
| 13. | Munford | 14-3/4 | 6-3/8 | 5-7/8 |

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Stock Valuation Schedule

| $DPD Ranking | Company | Book Value End of Year Covered in Report | Stock Outstanding As of Record Date | Where Listed | Stock Price Close 10-31-80 | Market Value of Stock 10-31-80 | Earnings Per Share | Times Earnings |
|---|---|---|---|---|---|---|---|---|
| 1. | Circle K | $ 62,688,000 | 9,978,971 | AMEX | 14-1/2 | $ 142,200,336 | $1.73 | 8 |
| 2. | Shop & Go | 17,630,383 | 2,978,718 | NASDAQ | 10-1/2 | 31,276,539 | 1.50 | 7 |
| 3. | National Convenience | 31,438,000 | 5,340,999 | AMEX | 10-1/2 | 56,080,489 | 2.01 | 7 |
| 4. | Lil' Champ | 7,537,601 | 703,948 | NASDAQ | 15-1/2 | 10,911,194 | 1.67 | 9 |
| 5. | Dillon | $162,849,889 | 16,135,488 | NY | 14-7/8 | 240,015,384 | 1.70 | 9 |
| 6. | Conna | 9,530,569 | 916,711 | NASDAQ | 16-3/4 | 15,354,909 | 2.76 | 7 |
| 7. | Southland | 497,605,000 | 22,935,504 | NY | 22-1/4 | 510,314,964 | 3.84 | 7 |
| 8. | UtoteM | 74,771,000 | Common 4,524,904 Preferred 188,766 | Merged into American Financial Corporation during 1980 | | | | |
| 9. | Sunshine Jr. | 13,896,662 | 1,361,469 | AMEX | 9 | 12,253,221 | 1.41 | 7 |
| 10. | Li'l General | 83,872,000 | 2,994,118 | NY | 19 | 56,888,242 | 9.48 | 6 |
| 11. | Hop-In | 6,081,000 | 601,700 | NASDAQ | 12-1/2 | 7,521,250 | 1.53 | 10 |
| 12. | Mini Mart | 3,691,208 | 1,860,366 | Not listed | .8725* | 1,623,169 | .25 | 3 |
| 13. | Munford | 34,292,000 | Common 2,152,011 | NY | 5-7/8 | 12,643,064 Common | .87 | 7 |
| | | | Preferred 840,938 | NY | 4-3/8 | 3,679,103 Preferred | | |
| Totals | | $931,112,312 | | | | $1,100,761,864 | | |

*Not quoted — Last quote shown by Company

**Profit Goal:**
In our first survey in 1971 we established a profit goal for the Industry of $30.00 per day per store as being a reasonable return for a convenience store operation. The $30.00 goal was based on the valuation of money at that time. It was figured as the amount reasonably required as a return on invested capital and for compensation of the considerable downside risks represented by the off balance sheet liabilities of most firms. In 1980 it takes $58.67 per store per day to earn $30.00 in 1971 dollars. Only Circle K and Shop and Go earned that many dollars per day last year.

**Dollars Per Day Profits and Profit Goal as Affected by Inflation:**
In this report we have used the Consumer Price Index for all Urban Consumers: (1967 = 100) as supplied by the U.S. Department of Labor. We have used the January figure of each year as our index of inflation for that year. To adjust to 1971 dollars, the figures in the Report must be divided by 1.956 to attain 1971 comparison figures. (This was obtained by dividing the CPI for January 1980 by the CPI of January 1971; 233.2 divided by 119.2 = 1.956) Pretax profits per day as shown by the Survey have increased from an average of $14.45 per store per day in the 1971 Survey to an average of $38.18 in the 1980 survey. However, if the $38.18 pretax profit is adjusted for inflation ($38.18 divided by 1.956) you arrive at a constant dollar pretax figure of $19.52 in 1971 dollars. Thus, in 1971 dollars profits have risen $5.07 per store per day or 35%. As you will note in the following sales schedules, pretax profit figures adjusted for inflation have risen far more than sales adjusted for inflation. It is possible that $5.07 in 1971 dollars is the net effect of adding gasoline to small food stores.

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Dollars Per Day Profit versus Consumer Price Index

| | January 1 Consumer Price Index | Avg. Profit Per Day $DPD Survey | Avg. Per Day Needed to Keep Pace With C.P.I. (As based on 1st Survey) | Profit Goal of $30.00 Per Day Amount Needed To Keep Pace With C.P.I. |
|---|---|---|---|---|
| 1971 | 119.2 | $14.45 | $ | $30.00 |
| 1972 | 123.2 | 17.73 | 14.94 | 31.02 |
| 1973 | 127.7 | 18.78 | 15.47 | 32.13 |
| 1974 | 139.7 | 19.84 | 16.93 | 35.16 |
| 1975 | 156.1 | 21.16 | 18.92 | 39.30 |
| 1976 | 166.7 | 23.94 | 20.20 | 41.94 |
| 1977 | 175.3 | 25.19 | 21.25 | 44.13 |
| 1978 | 187.2 | 27.47 | 22.69 | 47.10 |
| 1979 | 204.7 | 33.02 | 24.51 | 51.51 |
| 1980 | 233.2 | 38.18 | 28.26 | 58.68 |

## TENTH ANNUAL DOLLARS PER DAY SURVEY
## Analysis of Stock Holdings by First and Second Largest Stockholders
## And by Directors as a Group as Shown by the Company's Proxy Statement

| $DPD Ranking | Company | Approximate # of Shareholders | Stock Outstanding Record Date | # of Shares held by largest Stockholder Listed in Proxy | % of Ownership | # of Shares held by 2nd Largest Stock-Holder listed in Proxy | % of Ownership | # of Shares Held by Directors As a Group | % of Ownership by Officers & Directors As a Group |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Circle K | 3,800 | 9,978,971 | 2,678,646 | 26.84% | 822,002 | 8.23% | 3,115,282 | 31.22% |
| 2. | Shop & Go | 657 | 2,978,718 | 843,684 | 28.00% | 801,128 | 27.00% | 1,665,108 | 56.00% |
| 3. | National Convenience | 948 | 5,340,999 | 978,474 | 24.40% | 438,344 | 11.00% | 1,076,560 | 26.80% |
| 4. | Lil' Champ | 462 | 703,948 | 46,519 | 35.00% | 204,454 | 29.04% | 271,224 | 38.52% |
| 5. | Dillon | 10,713 | 16,135,488 | 542,443 | 3.36% | 502,644 | 3.11% | 3,693,191 | 22.89% |
| 6. | Conna | 1,254 | 916,711 | 136,248 | 14.86% | 110,134 | 12.01% | 416,176 | 45.40% |
| 7. | Southland | 8,545 | 22,935,504 | 3,261,771 | 14.22% | 2,273,112 | 9.91% | 4,486,517 | 19.49% |
| 8. | UtoteM | 7,310 | Fairmont (UtoteM stores) became a wholly owned subsidiary of American Financial Corporation during fiscal year 1981 | | | | | | |
| 9. | Sunshine Jr. | 710 | 1,361,469 | 741,545 | 54.47% | 50,902 | 3.74% | 830,710 | 61.02% |
| 10. | Li'l General | 4,884 | 2,994,118 | 700,000 | 23.40% | 274,437 | 9.20% | 333,767 | 11.00% |
| 11. | Hop-In | 829 | 601,700 | 200,000 | 33.24% | 39,000 | 6.48% | 312,328 | 51.90% |
| 12. | Mini Mart | 528 | 1,860,366 | 853,970 | 45.90% | 250,032 | 12.90% | 886,170 | 47.70% |
| 13. | Munford | 4,354 | Common 2,152,011 | 150,124 | 6.76% | 10,517 | .48% | Common 180,775 | 8.03% |

## TENTH ANNUAL DOLLARS PER DAY SURVEY
### Salary Schedule Showing the Salaries of the Two Highest Paid Executives And the Salaries of the Board of Directors in Dollars and in Dollars Per Day Per Store

| $DPD Ranking | Company | Highest Paid Executive | $DPD Cost Per Store | 2nd Highest Paid Executive | $DPD Cost Per Store | Officers & Directors As a Group | $DPD Cost Per Store | # Included As Officers & Directors |
|---|---|---|---|---|---|---|---|---|
| 1. | Circle K | $ 132,292 | $ .31 | $ 105,000 | $ .24 | 655,078 | $ 1.52 | 18 |
| 2. | Shop & Go | 97,927 | .70 | 62,614 | .45 | 438,000 | 3.00 | 10 |
| 3. | Natl. Conv. | 277,563 | .94 | 135,000 | .46 | 734,779 | 2.48 | 11 |
| 4. | Lil' Champ | 59,499 | 1.20 | 53,499 | 1.08 | 271,224 | 5.46 | 15 |
| 5. | Dillon | 235,000 | 2.05 | 198,000 | 1.72 | 1,347,567 | 11.77 | 16 |
| 6. | Conna | 108,888 | .92 | 108,198 | .91 | 775,115 | 6.53 | 13 |
| 7. | Southland | 364,123 | .15 | 359,123 | .15 | 2,572,333 | 1.05 | 19 |
| 8. | UtoteM | 247,890 | .73 | 178,250 | .53 | 1,475,415 | 4.35 | 25 |
| 9. | Sunshine Jr. | 100,775 | .85 | 88,975 | .75 | 320,900 | 2.70 | 8 |
| 10. | Li'l General | 359,000 | 2.12 | 280,345 | 1.66 | 1,799,986 | 10.66 | 20 |
| 11. | Hop-In | 83,708 | 1.68 | 65,531 | 1.32 | Amount in Proxy obviously incorrect | —— | 10 |
| 12. | Mini Mart | 138,541 | 3.30 | —— | —— | 192,541 | 4.59 | 6 |
| 13. | Munford | 146,443 | .33 | 106,847 | .24 | 673,274 | 1.53 | 14 |
| Totals | | $2,351,649 | $ .49 | $1,741,382 | $ .37 | $11,256,212 | $ 2.39 | 185 |
| Increase over last year | | $+ 383,453 | | $+ 296,003 | | $ 1,989,260[1] | | |
| Average this year | | $ 180,896 | | $ 145,145 | | $ 938,017 | | |
| Average last year | | $ 151,399 | | $ 120,448 | | $ 727,093 | | |

[1]We have deducted for Hop-In's directors in 1978

## TENTH ANNUAL DOLLARS PER DAY SURVEY
## Industry Leaders in These Thirteen Publicly Held Companies Based on Information from Proxy Statements
## Qualification as an Industry Leader Based on Position, Salary or Stock Ownership

| $DPD Ranking | Company | Name | Position | Salary | Increase or Decrease Over Last Yr. | % Ownership | Cash Dividends Received Based on Stock Ownership As Listed in Proxy |
|---|---|---|---|---|---|---|---|
| 1. | Circle K | Fred Hervey | Chairman & CEO | $132,292 | $+ 33,334 | 26.84% | $1,553,614 |
| | | Robert Hutchinson | President & CEO | 105,000 | + 33,750 | — — | — — |
| 2. | Shop & Go | Robert A. Jaeb | Chairman, CEO | 97,927 | + 11,168 | 28.00% | 227,795 |
| | | Lorena Jaeb | Executive VP, Treasurer | 62,614 | | 27.00% | 216,304 |
| 3. | National Convenience | V.H. Van Horn | President, CEO | 277,563 | + 49,617 | 1.80% | 49,404 |
| | | Carl H. Lindner | Chairman, American Financial | | | 24.40% | 684,932 |
| 4. | Lil' Champ | Julian E. Jackson | Chairman, CEO | 59,499 | + 5,499 | 29.04% | 59,164 |
| 5. | Dillon | Richard E. Dillon | President | 198,000 | + 21,000 | 2.68% | 478,936 |
| 6. | Conna | Harlin D. Peden | Chairman | 108,888 | + 8,286 | 12.01% | 40,749 |
| | | Joe P. Peden | President | 108,198 | + 7,446 | 14.86% | |
| 7. | Southland | John P. Thompson | Chairman, CEO | 364,123 | – 14,181 | 14.22% | 50,411 |
| | | Jere W. Thompson | President | 359,123 | + 27,119 | 9.91% | 2,641,977 |
| 8. | UtoteM | E.W. Kelley | President, CEO | 247,890 | 97,890 | | 1,841,219 |
| | | Carl H. Lindner | Chairman, American Financial - Fairmont became a wholly owned subsidiary of American Financial in Fiscal year 1981 | | | | |
| 9. | Sunshine Jr. | L.D. Lewis | Chairman | 100,775 | + 6,600 | 54.47% | 222,463 |
| | | James E. Lewis | President | 88,975 | + 5,800 | 3.74% | 15,270 |
| 10. | Li'l General | Harris J. Ashton | Chairman, President, CEO | 359,000 | + 130,037 | 3.90% | 76,226 |
| 11. | Hop-In | John M. Hudgins, Jr. | President | 83,708 | + 10,056 | 2.65% | 3,595 |
| 12. | Mini Mart | Jack Fineberg | President | 138,541 | + 23,156 | 45.90% | None |
| 13. | Munford | Dillard Munford | Chairman, President, CEO | 146,443 | – 2,557 | 6.76% | None |

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from the Annual
Report for the Year
Ended 4/30/80

| | First Survey 12 mos. ended 4/30/71 | Second Survey 12 mos. ended 4/30/72 | Third Survey 12 mos. ended 4/30/73 | Fourth Survey 12 mos. ended 4/30/74 | Fifth Survey 12 mos. ended 4/30/75 | Sixth Survey 12 mos. ended 4/30/76 | Seventh Survey 12 mos. ended 4/30/77 | Eighth Survey 12 mos. ended 4/30/78 | Ninth Survey 12 mos. ended 4/30/79 | Tenth Survey 12 mos. ended 4/30/80 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Circle K** El Paso, Texas | | | | | | | | | | |
| Number of Stores | 536 | 678 | 826 | 947 | 1,024 | 1,049 | 1,070 | 1,105 | 1,158 | 1,200 |
| Store Growth in Year | 113 | 142 | 148 | 121 | 77 | 25 | 21 | 35 | 53 | 42 |
| Store Days | 175,074 | 221,626 | 274,554 | 323,633 | 359,746 | 379,359 | 386,728 | 396,920 | 412,971 | 431,514 |
| Sales Per Day | $535 | $582 | $588 | $592 | $634 | $598 | $634 | $714 | $799* | $883 |
| Sales Growth Dollars Per Day | $+28 | $+47 | $+ 6 | $+ 4 | $+42 | — | $+36 | $+80 | $+25 | $+84 |
| Pre Tax Profit Dollars Per Day | $33.39 | $33.09 | $31.35 | $27.59 | $25.15 | $24.99 | $33.39 | $38.82 | $47.53 | $73.47 |
| After Tax Profit Dollars Per Day | $16.54 | $17.72 | $16.41 | $14.68 | $13.11 | $13.50 | $17.87 | $20.63 | $25.85 | $39.28 |
| Store Closures | 3 | 6 | 12 | 21 | 12 | 24 | 24 | 12 | 24 | 22 |
| Gasoline Units | | | 437 | 510 | 516 | 548 | 601 | 642 | 681 | 726 |
| Dollars Per Day Ranking | 1/10 | 1/10 | 1/10 | 3/13 | 7/13 | 6/13 | 1/13 | 2/13 | 1/13 | 1/13 |

### Basis For Profit Determination

Operated 1,200 Circle K stores on April 30, 1980 in 12 states.

1. Sales of $533,103,000, including gasoline sales of $151,900,000. Net store sales were thus $381,203,000.

2. Store Days:

| | |
|---|---|
| Store days of stores open all year | 1,158 x 366 = 423,828 |
| Store days of new stores figured for ½ year only | 42 x 183 = 7,686 |
| Total Store Days | 431,514 |

3. Sales Per Store Per Day: Sales of $381,203,000 divided by 431,514 store days equals average store sales of $883 per day for the year. Store sales above do not include gasoline sales.

4. Pretax Profit: Pretax profits of $31,703,000 have been divided by store days of 431,514 to arrive at a pretax profit of $73.47 per store per day.

5. After Tax Profit: After tax profits of $16,948,000 have been divided by store days of 431,514 to arrive at an after tax profit of $39.28 per store per day.

221 stores operated by Contract Operators included in sales, 18% of total stores.

New Stores Planned: 40 New Stores.

*Last year's average daily sales were incorrectly stated as $739 instead of $799.

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from the Annual Report and 10 K for the Year Ended 4/3/80

| Shop & Go, Inc. | First Survey 12 mos. ended 3/31/71 | Second Survey 12 mos. ended 3/31/72 | Third Survey 12 mos. ended 3/31/73 | Fourth Survey 12 mos. ended 3/31/74 | Fifth Survey 12 mos. ended 3/31/75 | Sixth Survey 12 mos. ended 3/31/76 | Seventh Survey 12 mos. ended 3/31/77 | Eighth Survey 12 mos. ended 3/30/78 | Ninth Survey 12 mos. ended 3/29/79 | Tenth Survey 12 mos. ended 4/3/80 |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of Stores | | 121 | 134 | 170 | 235 | 285 | 342 | 371 | 379 | 381 |
| Store Growth in Year | | | 13 | 36 | 65 | 50 | 57 | 29 | 8 | 2 |
| Store Days | | | 48,910 | 55,498 | 74,860 | 95,160 | 114,456 | 129,766 | 136,500 | 140,609 |
| Sales Per Day | | | $532 | $647 | $667 | $639 | $613 | $637 | $687 | $771 |
| Sales Growth Dollars Per Day | | | | $+115 | $+20 | $-28 | $-26 | $+24 | $+50 | $+84 |
| Pre Tax Profit Dollars Per Day | | | $38.46 | $50.26 | $36.31 | $32.94 | $27.04 | $32.24 | $43.70 | $60.70 |
| After Tax Profit Dollars Per Day | | | $19.12 | $25.59 | $19.19 | $17.34 | $14.46 | $17.50 | $22.62 | $31.83 |
| Store Closures | | | | 2 | 2 | | 5 | 9 | 19 | 9 |
| Gasoline Units | | | | 59 | 69 | 118 | 192 | 225 | 225 | 225 |
| Dollars Per Day Ranking | | | Not Included | 1/13 | 2/13 | 1/13 | 4/13 | 6/13 | 2/13 | 2/13 |

### Basis For Profit Per Day Determination

Operated 381 Shop & Go stores on April 3, 1980. 358 of which are in Central Florida. 23 are located in Southern Georgia.

1. The annual report states that total sales were $108,651,170
2. Store Days:

| | | |
|---|---|---|
| Store days of stores open all year | 379 x 371 = | 140,609 |
| Store days of new stores figured for ½ year only | 2 x 185 = | 370 |
| Total Store Days | | 140,979 |

3. Sales Per Store Per Day: Sales of $108,651,170 divided by 140,979 store days equals average store sales of $771 per store per day.

4. Pretax Profits: Pretax profits of $8,535,351 have been divided by store days of 140,609 to arrive at a pretax profit of $60.70.

5. After Tax Profit: After tax profits of $4,476,110 have been divided by store days of 140,609 to arrive at an after tax profit of $31.83.

New Stores Planned: 25-30 stores per year.

Gasoline not in sales

Gasoline commission $2,412,763 (gasoline commission divided by gas days of 83,475 = $28.90 per day per gas unit in gasoline commission). No investment in gas facilities.

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from the Annual
Report for the Year
Ended 6/30/80

| National Convenience Stores<br>Houston, Texas | First Survey 12 mos. ended 6/30/71 | Second Survey 12 mos. ended 6/30/72 | Third Survey 12 mos. ended 6/30/73 | Fourth Survey 12 mos. ended 6/30/74 | Fifth Survey 12 mos. ended 6/30/75 | Sixth Survey 12 mos. ended 6/30/76 | Seventh Survey 12 mos. ended 6/30/77 | Eighth Survey 12 mos. ended 6/30/78 | Ninth Survey 12 mos. ended 6/30/79 | Tenth Survey 12 mos. ended 6/30/80 |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of Stores | 487 | 529 | 646 | 808 | 801 | 743 | 722 | 725 | 806 | 817 |
| Store Growth in Year | 31 | 42 | 117 | 162 | −7 | −58 | −21 | 3 | 81 | 11 |
| Store Days | 172,113 | 185,441 | 214,496 | 265,436 | 292,365 | 271,938 | 263,530 | 264,076 | 268,350 | 296,192 |
| Sales Per Day | $418 | $478 | $503 | $495 | $552 | $643 | $727 | $813 | $919 | $1,036 |
| Sales Growth Dollars Per Day | $+57 | $+60 | $+25 | $− 8 | $+121 | $+91 | $+84 | $+86 | $+106 | $+117 |
| Pre Tax Profit Dollars Per Day | $7.07 | $13.63 | $13.35 | $14.30 | $5.87 | $18.09 | $25.58 | $32.35 | 36.52 | $44.88 |
| After Tax Profit Dollars Per Day | $4.41 | $7.50 | $8.22 | $8.42 | $4.30 | $9.75 | $13.41 | $18.98 | $22.37 | $27.18 |
| Store Closures | 10 | 19 | 23 | 20 | 71 | 79 | 38 | 18 | 29 | 28 |
| Gasoline Units | 35 | 84 | 183 | 255 | 282 | 292 | 311 | 327 | 418 | 446 |
| Dollars Per Day Ranking | 6/10 | 5/10 | 7/10 | 11/13 | 12/13 | 8/13 | 6/13 | 5/13 | 6/13 | 3/13 |

### Basis For Profit Per Day Determination

Operated 817 stores in 11 states on June 30, 1980 primarily under the names of Stop'N'Go, Super Duper, Super Quik and Shop N Go.

1. The annual report states that total sales were $434,430,000.
2. Store Days:

| | |
|---|---|
| Store days of stores open all year | 806 x 365 = 294,190 |
| Store days of new stores figures for ½ year only | 11 × 182 = 2,002 |
| Total Store Days | 296,192 |

3. Sales Per Store Per Day - Sales as shown in annual report include gasoline. 23% of sales were gasoline sales in this fiscal year. Gasoline sales were thus $127,501,000. Store sales were $306,929,000. Store sales of $306,929,000 divided by store days of 296,192 equals average store sales of $1,036 per store per day for the year.
4. Pretax Profit: Pretax profit of $13,295,000 has been divided by store days of 296,192 to arrive at a pretax profit of $44.88 per store per day.

5. After Tax Profit: After tax profit of $8,050,000 has been divided by store days of 296,192 to arrive at an after tax profit of $27.18 per store per day.

New stores planned: 3 under construction, 12 additional stores committed 6/30/80. 4 new stores to be Super Stores, bringing the total to six.

Over 62% of stores open 24 hours.
Gasoline not included in sales per day.

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from the Annual Report for the Year Ended 5/3/80

| | First Survey 12 mos. ended | Second Survey 12 mos. ended | Third Survey 12 mos. ended 4/28/73 | Fourth Survey 12 mos. ended 4/27/74 | Fifth Survey 12 mos. ended 5/3/75 | Sixth Survey 12 mos. ended 5/1/76 | Seventh Survey 12 mos. ended 4/30/77 | Eighth Survey 12 mos. ended 4/29/78 | Ninth Survey 12 mos. ended 4/28/79 | Tenth Survey 12 mos. ended 5/3/80 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Lil' Champ** Jacksonville, Florida | | | | | | | | | | |
| Number of Stores | | 15 | 59 | 80 | 94 | 100 | 108 | 122 | 130 | 138 |
| Store Growth in Year | | | 44 | 21 | 14 | 6 | 8 | 14 | 8 | 8 |
| Store Days | | | 13,527 | 25,378 | 32,270 | 35,308 | 37,964 | 41,860 | 45,864 | 49,710 |
| Sales Per Day | | | $525 | $505 | $541 | $532 | $553 | $550 | $544 | $612 |
| Sales Growth Dollars Per Day | | | | $-20 | $- 9 | $ -9 | $+21 | $- 3 | $-6 | $+68 |
| Pre Tax Profit Dollars Per Day | | | $42.02 | $41.11 | $36.50 | $32.19 | $32.36 | $33.44 | $37.23 | $44.17 |
| After Tax Profit Dollars Per Day | | | $18.59 | $21.36 | $19.26 | $16.76 | $17.04 | $18.57 | $20.61 | $23.60 |
| Store Closures | | | | | | 1 | 4 | 0 | 0 | 0 |
| Gasoline Units | | | | | | | 20 | 25 | 31 | 32 |
| Dollars Per Day Ranking | | | Not Included | 2/13 | 1/13 | 2/13 | 2/13 | 4/13 | 5/13 | 4/13 |

### Basis For Profit Per Day Determination

1. Sales: The annual report states that sales were $30,446,909
2. Store Days:

| | |
|---|---|
| Store days of stores open all year | 130 x 371 = 48,230 |
| Store days of new stores figured for ½ year only | 8 x 185 = 1,480 |
| Total Store Days | 49,710 |

3. Sales Per Store Per Day: Sales of $30,446,909 divided by 49,710 store days equals average store sales of $612 per store per day.
4. Pretax Profit: Pretax profits of $2,195,681 have been divided by store days of 49,710 to arrive at a pretax profit of $44.17 per store per day.
5. After Tax Profit: After tax profits of $1,172,958 have been divided by store days of 49,710 to arrive at an after tax profit of $23.60 per store per day.

New stores planned: Sound and steady increase.

Gasoline not in sales—
Gasoline commission $275,228 (gasoline income divided by gas days of 11,686 = $23.55 per day per gas unit in gasoline income.)
Pinball Income = Income from pinball machines was $115,886 or $2.33 per store per day.

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from the Annual
Report for the Year
Ended 6/28/80

| | First Survey 12 mos. ended 7/31/71 | Second Survey 12 mos. ended 7/1/72 | Third Survey 12 mos. ended 6/30/73 | Fourth Survey 12 mos. ended 6/29/74 | Fifth Survey 12 mos. ended 6/28/75 | Sixth Survey 12 mos. ended 7/3/76 | Seventh Survey 12 mos. ended 7/2/77 | Eighth Survey 12 mos. ended 7/1/78 | Ninth Survey 12 mos. ended 6/30/79 | Tenth Survey 12 mos. ended 6/28/80 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dillon Companies, Inc.** | | | | | | | | | | |
| Number of Stores | 98 | 123 | 160 | 182 | 188 | 186 | 185 | 284 | 305 | 324 |
| Store Growth in Year | 27 | 25 | 37 | 22 | 6 | −2 | −1 | +99 | 21 | 19 |
| Store Days | 30,856 | 40,222 | 51,666 | 62,244 | 67,340 | 69,006 | 67,340 | 82,754 | 107,198 | 114,478 |
| Sales Per Day | $555 | $642 | $663 | $684 | $751 | $838 | $941 | $1134 | $1,337 | $1,556 |
| Sales Growth Dollars Per Day | | $+87 | $+21 | $+21 | $+67 | $+87 | $+103 | $+193 | $+203 | $+219 |
| Pre Tax Profit Dollars Per Day | $7.27 | $13.05 | $24.35 | $15.92 | ($10.76) | $16.15 | $26.67 | $41.55 | $41.83 | $43.68 |
| After Tax Profit Dollars Per Day | $3.95 | $7.11 | $12.17 | $8.67 | ($5.87) | $9.13 | $14.85 | $22.99 | $23.85 | $27.37 |
| Store Closures | | | | | | 11 | 3 | 7 | 9 | 19 |
| Gasoline Units | | | | | | | 102 | 166 | 186 | 200 |
| Dollars Per Day Ranking | 5/10 | 6/10 | 2/10 | 10/13 | 13/13 | 9/13 | 5/13 | 1/13 | 3/13 | 5/13 |

### Basis for Profit Per Day Determination

Operated 324 Small Food stores on July 1, 1980 in 5 states
116 Time Saver Stores - Louisiana - Net Growth 15 stores
86 Quik Stops - California - Net Growth - (−5 stores)
122 Kwik Shops - Kansas, Nebraska, Iowa - Net Growth 9 stores
324 Total convenience stores

1. Small Food store sales were $178,117,909
2. Store days:

| | |
|---|---|
| Store days of stores open all year | 305 x 364 = 111,020 |
| Store days of new stores figured for ½ year only | 19 x 182 = 3,458 |
| Total Store Days | 114,478 |

3. Sales Per Store Per Day: Sales of $178,117,909 divided by 114,478 store days equals average store sales of $1,556 per store per day for the year. Gasoline included in sales.
4. Pretax Profit: The annual report states after tax convenience store profits were $3,133,502. After tax corporate profits were 62.66% of corporate pretax profits. Thus, after tax convenience store profits have been raised by the tax rate to obtain small store pretax profits of $5,000,801. Convenience store pretax profits of $5,000,801 have been divided by store days of 114,478 to arrive at a pretax profit of $43.68.
5. After Tax Profits: Convenience store after tax profits of $3,133,502 have been divided by store days of 114,478 to arrive at after tax profit of $27.37 per store per day.

Dillon also operates 212 supermarkets. Using the same formula as above, the average after tax profit per day per supermarket was $258.96, a drop of $102.28 per store per day below the previous year.

At the present rate of supermarket and convenience store dollars per day profit, Dillon would have to operate 1,971 small food stores to equal the profits of their 212 supermarkets. New Stores Planned: 43

| | Total After Tax Profits | Store Days | Sales Per Store Per Day | % of After Tax Profit on Sales | $ Profit Per Store Per Day | $ Profit Per Day Last Year |
|---|---|---|---|---|---|---|
| 212 Supermarkets | $19,653,843 | 75,894 | $24,764 | 1.04% | $258.96 | $361.24 |
| 324 Small Stores | $ 3,133,502 | 114,478 | $ 1,556 | 1.75% | $ 27.37 | $ 23.85 |
| 115 Small Stores Franchised | | | | | | |

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from the Annual
Report and the 10 K for
The Year Ended 5/25/80

| | First Survey 12 mos. ended 5-31-71 | Second Survey 12 mos. ended 5-28-72 | Third Survey 12 mos. ended 5-27-73 | Fourth Survey 12 mos. ended 5-26-74 | Fifth Survey 12 mos. ended 5-25-75 | Sixth Survey 12 mos. ended 5-30-76 | Seventh Survey 12 mos. ended 5-29-77 | Eighth Survey 12 mos. ended 5-28-78 | Ninth Survey 12 mos. ended 5-27-79 | Tenth Survey 12 mos. ended 5-25-80 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Conna Corporation** Louisville, Kentucky | | | | | | | | | | |
| Number of Stores | 137 | 141 | 167 | 174 | 218 | 252 | 269 | 285 | 316 | 336 |
| Store Growth in Year | – 15 | 4 | 26 | 7 | 44 | 34 | 17 | 16 | 31 | 20 |
| Store Days | 50,005 | 50,874 | 56,223 | 62,236 | 71,334 | 87,202 | 98,432 | 100,828 | 109,382 | 118,664 |
| Sales Per Day | $877 | $847 | $940 | $912 | $947 | $911 | $1,052 | $1,200 | $1,431 | $1,538 |
| Sales Growth Dollars Per Day | $ + 163 | $ – 30 | $ + 93 | | $ + 35 | $ – 36 | $ + 141 | $ + 148 | $ + 231 | $ + 107 |
| Pre Tax Profit Dollars Per Day | $2.04 | $12.67 | $14.62 | $18.60 | $18.96 | $15.77 | $14.59 | $19.96 | $25.56 | $40.04 |
| After Tax Profit Dollars Per Day | $1.02 | $6.33 | $7.31 | $10.23 | $9.50 | $8.55 | $7.96 | $11.38 | $13.92 | $21.21 |
| Store Closures | 30 | 3 | | | | 4 | 17 | 8 | 7 | 8 |
| Gasoline Units | 68 | 70 | 74 | 74 | 78 | 101 | 142 | 173 | 218 | 248 |
| Dollars Per Day Ranking | 9/10 | 7/10 | 6/10 | 9/13 | 8/13 | 10/13 | 10/13 | 9/13 | 7/13 | 6/13 |

### Basis For Profit Per Day Determination

Operated 336 food stores on May 25, 1980. 319 franchised stores and 17 company operated stores in 14 states.

1. The annual report states that sales were $303,446,000 for the year. We have deducted gasoline sales of $107,838,000 and dairy sales of $13,069,000 to arrive at store sales of $182,559,000.
2. Store Days:

| | |
|---|---|
| Store days of stores open all year | 316 x 364 = 115,024 |
| Store days of new stores figured for ½ year only | 20 x 182 = 3,640 |
| Total Store Days | 118,664 |

3. Sales Per Store Per Day: Sales of $182,559,000 divided by 118,664 store days equals average store sales of $1,538 per store per day for the year.
4. Pretax Profits: The company is primarily engaged in franchising and operating convenience food stores. It also sells gasoline, wholesales dairy products, wholesales tobacco and sundries, and finances franchisees. Some sales are made to non-franchisee stores and customers. These sales are not substantial in relation to the main activities of the company, though the company states that they are profitable. For simplicity we have included all pretax profit from all activities in figuring pretax profits for this company.
The annual report states that total pretax profit was $4,751,246. Total pretax profit has been divided by store days of 118,664 to arrive at a pretax profit of $40.04 per store per day. It should be noted that this may actually overstate profits per store per day a bit because of the inclusion of the subsidiary activities.
5. After Tax Profit: The annual report states that total after tax profits were $2,517,246. Total after tax profits have been divided by store days of 118,664 to arrive at after tax profit of $21.21 per store per day. The same qualification applies to after tax profit per store per day profits as to pretax profits per store per day.
New stores planned: Purchased 48 Handy Shop Food Shops in the 1st quarter of fiscal 1981.
Gasoline not included in store sales shown since 1974.

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from the Annual
Report for the Year Ended 12/31/79
And the 10 K of that Date

| | First Survey 12 mos. ended 12/31/70 | Second Survey 12 mos. ended 12/31/71 | Third Survey 12 mos. ended 12/31/72 | Fourth Survey 12 mos. ended 12/31/73 | Fifth Survey 12 mos. ended 12/31/74 | Sixth Survey 12 mos. ended 12/31/75 | Seventh Survey 12 mos. ended 12/31/76 | Eighth Survey 12 mos. ended 12/31/77 | Ninth Survey 12 mos. ended 12/31/78 | Tenth Survey 12 mos. ended 12/31/79 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southland Corporation** Dallas, Texas | | | | | | | | | | |
| Number of Stores | 3,734 | 4,114 | 4,455 | 4,801 | 5,171 | 5,579 | 5,953 | 6,357 | 6,599 | 6,805 |
| Store Growth in Year | 197 | 380 | 341 | 346 | 370 | 408 | 374 | 404 | 242 | 206 |
| Store Days | 1,327,056 | 1,432,450 | 1,564,013 | 1,689,393 | 1,820,075 | 1,962,079 | 2,110,356 | 2,246,373 | 2,364,349 | 2,446,127 |
| Sales Per Day | $564 | $598 | $624 | $653 | $708 | $731 | $813* | $841 | $950 | $1,087 |
| Sales Growth Dollars Per Day | | $+34 | $+26 | $+29 | $+55 | $+23 | $+82 | $+28 | $+109 | $+137 |
| Pre Tax Profit Dollars Per Day | $17.15 | $19.35 | $20.38 | $20.64 | $25.45 | $30.04 | $32.19 | $35.71 | $40.79 | $38.42 |
| After Tax Profit Dollars Per Day | $8.50 | $9.97 | $11.09 | $10.47 | $12.64 | $14.99 | $16.09 | $18.00 | $20.66 | $28.13 |
| Store Closures | 139 | | 83 | 80 | 142 | 158 | 154 | 254 | 308 | 460 |
| Gasoline Units | 75 | 149 | 356 | 463 | 502 | 721 | 1,235 | 1,573 | 1,857 | 2,107 |
| Dollars Per Day Ranking | 3/10 | 4/10 | 4/10 | 6/13 | 6/13 | 3/13 | 3/13 | 3/13 | 4/13 | 7/13 |

*Includes gasoline sales

## Basis For Profit Per Day Determination

Operated 6,805 7-Eleven stores on December 31, 1979 in 42 states, the District of Columbia, and Canada.

1. The annual report states that 7-Eleven store sales were $3,211,000,000 It states that 17.2% of 7-Eleven store sales are from gasoline sales. We have thus excluded gasoline sales of $552,292,000 to arrive at In-Store sales of $2,658,708,000.
2. Store Days:

| | |
|---|---|
| Store days of stores open all year | 6,599 x 365 = 2,408,635 |
| Store days of new stores figured for ½ year only | 206 x 182 = 37,492 |
| Total Store Days | 2,446,127 |

3. Sales Per Store Per Day: Sales of $2,658,708,000 divided by 2,445,127 store days equals average store sales of $1,087 per store per day for the year.
4. The annual report states that in 1979, 89% of the Company's total operating profits were from the stores group. Total pretax earnings for Southland were $113,558,000.

The stores group pretax profits were thus $101,066,620. Last year the annual report stated that 93% of the profit was from 7-Eleven. This year the report does not state the percentage. If we assumed that 100% of the stores group profit was from 7-Eleven the $DPD would be $41.31. ($101,066,620 divided by store days of 2,446,127) If we assume that 93% of the store group profits this year are from 7-Eleven, the $DPD would be $38.42, per 7-Eleven store. (93% of $101,066,620 = $93,991,938 divided by 7-Eleven store days of 2,446,127 = $38.42). Since there are no other store operations in the stores group, we have chosen the latter approach.

5. After tax profits for Southland are 73.21% of pretax profits. Southland made several major accounting changes for tax purposes this year. Total after tax earnings for Southland were $83,141,000. If we assume that after tax profits bear the same relationship to operations as pretax profits, after tax profits for the stores group would be $73,995,490 (89% of $83,141,000). If 93% of the stores group after tax profits are from 7-Eleven we have the following calculation of after tax $DPD profits. (93% of $73,995,490 = $68,815,350 divided by 7-Eleven store days of 2,446,127 = $28.13.)

# DOLLARS PER DAY SURVEY

## Historical Summary

November 1979

Data Taken from Annual
Report and the 10 K
For the Year Ended 2/29/80

| | First Survey 12 mos. ended 2/28/71 | Second Survey 12 mos. ended 2/29/72 | Third Survey 12 mos. ended 2/28/73 | Fourth Survey 12 mos. ended 2/28/74 | Fifth Survey 12 mos. ended 2/28/75 | Sixth Survey 12 mos. ended 2/29/76 | Seventh Survey 12 mos. ended 2/28/77 | Eighth Survey 12 mos. ended 2/28/78 | Ninth Survey 12 mos. ended 2/28/79 | Tenth Survey 12 mos. ended 2/29/80 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fairmont Foods (UtoteM)** Houston, Texas | | | | | | | | | | |
| Number of Stores | 496 | 602 | 703 | 762 | 922 | 998 | 965 | 928 | 934 | 927 |
| Store Growth in Year | 72 | 106 | 101 | 59 | 160 | 76 | −33 | −37 | 6 | −7 |
| Store Days | 167,936 | 200,934 | 238,213 | 267,392 | 307,410 | 351,360 | 352,225 | 338,720 | 339,812 | 339,282 |
| Sales Per Day | $391 | $410 | $420 | $452 | $501 | $548 | $585 | $654 | $729 | $826 |
| Sales Growth Dollars Per Day | | $+19 | $+10 | $+32 | $+49 | $+47 | $+37 | $+69 | $+75 | $+97 |
| Pre Tax Profit Dollars Per Day | $15.70 | $20.15 | $21.34 | $25.58 | $22.58 | $21.56 | $14.82 | $17.80 | $15.06 | 32.71 |
| After Tax Profit Dollars Per Day | $7.60 | $11.08 | $11.31 | $12.73 | $13.82 | $11.75 | $8.00 | $10.13 | $10.24 | $16.86 |
| Store Closures | | | | 24 | 19 | 65 | 72 | 60 | 19 | 36 |
| Gasoline Units | 60 | | | 258 | 310 | 454 | 490 | 490 | 511 | 539 |
| Dollars Per Day Ranking | 4/10 | 3/10 | 3/10 | 4/13 | 5/13 | 7/13 | 9/13 | 10/13 | 11/13 | 8/13 |

### Basis For Profit Per Day Determination

Operated 927 convenience stores in 12 states under UtoteM on February 29, 1980.

1. UtoteM store sales were $280,296,000.

2. Store Days:
   Store days of stores open all year 927 x 366 = 339,282

   Total Store Days 339,282

3. Sales Per Store Per Day: Sales of $280,296,000 divided by 339,282 store days equals average store sales of $926 per store per day for the year.

4. The annual report shows that UtoteM stores operating earnings were 86% of the total operating earnings. Total earnings of the company before income taxes were $12,906,202. We have applied the 86% figure to earnings before income taxes to arrive at UtoteM store pretax profits of $11,099,332.

5. Pretax Profit: Estimated UtoteM pretax profits of 11,099,332 have been divided by store days of 339,282 to arrive at a pretax profit of $32.71 per store per day from UtoteM stores.

6. After Tax Profit: Total after tax profit was $6,652,669. 86% of $6,652,669 is $5,721,287. After tax UtoteM profits of $5,721,287 have then been divided by store days of 339,282 to arrive at an after tax profit of $16.86 per store per day.
New Stores: Own 40 sites that are to be completed in this fiscal year.

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from the Annual
Report for the Year Ended
12/31/79 and the 10 K
Of that Date

| | First Survey 12 mos. ended 12/31/70 | Second Survey 12 mos. ended 12/31/71 | Third Survey 12 mos. ended 12/31/72 | Fourth Survey 12 mos. ended 12/31/73 | Fifth Survey 12 mos. ended 12/31/74 | Sixth Survey 12 mos. ended 12/31/75 | Seventh Survey 12 mos. ended 12/31/76 | Eighth Survey 12 mos. ended 12/31/77 | Ninth Survey 12 mos. ended 12/31/78 | Tenth Survey 12 mos. ended 12/31/79 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sunshine Jr. Stores, Inc.** | | | | | | | | | | |
| Number of Stores | 98 | 115 | 144 | 179 | 215 | 236 | 261 | 288 | 316 | 336 |
| Store Growth in Year | 22 | 17 | 29 | 35 | 36 | 21 | 25 | 27 | 28 | 20 |
| Store Days | 31,766 | 38,881 | 47,397 | 58,965 | 71,923 | 82,318 | 90,715 | 100,179 | 110,216 | 118,980 |
| Sales Per Day | $370 | $390* | $413* | $437* | $507* | $459 | $467 | $467 | $470 | $502 |
| Sales Growth Dollars Per Day | $+18 | $+20 | $+23 | $+24 | $+70 | $– | $+8 | $+0 | $+3 | $+32 |
| Pre Tax Profit Dollars Per Day | $19.35 | $20.46 | $20.30 | $20.52 | $30.78 | $25.17 | $24.35 | $24.27 | $22.53 | $31.03 |
| After Tax Profit Dollars Per Day | $10.12 | $11.05 | $10.75 | $10.88 | $16.31 | $13.23 | $12.96 | $13.54 | $12.47 | $16.86 |
| Store Closures | | | | | | | 3 | 6 | 9 | 8 |
| Gasoline Units | | 4 | 33 | 40 | 51 | 72 | 140 | 191 | 230 | 260 |
| Dollars Per Day Ranking | 2/10 | 2/10 | 5/10 | 7/13 | 3/13 | 5/13 | 7/13 | 8/13 | 9/13 | 9/13 |

*These years sales include gasoline sales

### Basis For Profit Per Day Determination

Operated 336 convenience stores on December 31, 1979 in 5 states.

1. The annual report states that small store sales were $102,386,360 including gasoline sales of $42,657,131. Net store sales were thus $59,729,229.

2. Store Days:

| | | |
|---|---|---|
| Store days of stores open all year | 316 x 365 = | 115,340 |
| Store days of new stores figured for ½ year only | 20 x 182 = | 3,640 |
| Total Store Days | | 118,980 |

3. Sales Per Store Per Day - Sales of $59,729,229 divided by 118,980 store days equals average store sales of $502 per store per day for the year.

4. Pretax Profit Per Store Per Day: The annual report states that Sunshine Jr. store pretax profits were $3,691,867. Pretax profits of $3,691,867 have been divided by store days of 118,980 to arrive at a pretax profit of $31.03 per store per day.

5. After Tax Profit: After tax profit is 54.36% of pretax profit. After tax small store profit was $2,006,898.

6. After Tax Profit Per Store Per Day: Sunshine Jr. store after tax profits of $2,006,898 have been divided by store days of 118,980 to arrive at after tax profit of $16.86 per store per day.

New stores planned: 25-30

30 stores are open 24 hours a day.

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from Annual
Report of General Host
For the Year Ended
12/29/79

| | First Survey 12 mos. ended 12/26/70 | Second Survey 12 mos. ended 12/25/71 | Third Survey 12 mos. ended 12/30/72 | Fourth Survey 12 mos. ended 12/29/73 | Fifth Survey 12 mos. ended 12/28/74 | Sixth Survey 12 mos. ended 12/27/75 | Seventh Survey 12 mos. ended 12/25/76 | Eighth Survey 12 mos. ended 12/31/77 | Ninth Survey 12 mos. ended 12/30/78 | Tenth Survey 12 mos. ended 12/29/79 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Li'l General,** Florida | | | | | | | | | | |
| Number of Stores | 497 | 510 | 507 | 527 | 550 | 561 | 554 | 541 | 515 | 464 |
| Store Growth in Year | | 13 | −3 | 20 | 23 | 11 | −7 | −13 | −26 | −51 |
| Store Days | 181,405 | 183,784 | 188,604 | 188,715 | 196,014 | 202,202 | 201,656 | 200,711 | 187,460 | 168,896 |
| Sales Per Day | $340 | $344 | $386 | $436 | $474 | $480 | $512 | $581 | $683 | $838 |
| Sales Growth Dollars Per Day | | $+4 | $+43 | $+50 | $+38 | $+6 | $+32 | $+69 | $+102 | $+155 |
| Pre Tax Profit Dollars Per Day | $6.35 | $10.06 | $11.32 | $13.54 | $14.90 | $13.45 | $8.12 | $11.70 | $15.72 | $25.71 |
| After Tax Profit Dollars Per Day | $3.18 | $5.03 | $5.66 | $6.77 | $7.45 | $6.72 | $4.06 | $5.85 | $7.86 | $12.85 |
| Store Closures | | | 23 | 25 | 18 | 11 | 20 | 19 | 30 | 56 |
| Gasoline Units | | | | | | 82 | 136 | 170 | 165 | 167 |
| Dollars Per Day Ranking | 7/10 | 8/10 | 9/10 | 12/13 | 9/13 | 11/13 | 12/13 | 11/13 | 10/13 | 10/13 |

## Basis For Profit Per Day Determination

Operated 464 Li'l General stores on December 29, 1979. Li'l General is a Division of General Host, which is a diversified company with total sales of $752,015,000. Included in the Li'l General Stores Division are the sales and profits of 131 Hot Sam Pretzel Shoppes. These sales and profits have been included in this division for the last six fiscal years.

1. Sales: Sales of the convenience stores division as reported in the annual report are $148,037,000. We have arbitrarily assumed the average Hot Sam Pretzel Shoppe has annual sales of $50,000 and have thus eliminated sales of 131 times $50,000 or $6,550,000 to arrive at Li'l General food store sales of $141,487,000.

2. Store Days:

| | |
|---|---|
| Store days of stores open all year | 464 x 364 = 168,896 |
| Total Store Days | 168,896 |

3. Sales Per Store Per Day: Sales of $141,487,000 divided by 168,896 store days equals average store sales of $838 per store per day for the year.

4. Pretax Profit: Operating income of the convenience stores division is $8,322,000. We have arbitrarily assumed the average Hot Sam Pretzel Shoppe had annual operating income of $5,000 and have thus eliminated operating income of 131 times $5,000 or $655,000 to arrive at Li'l General operating income of $7,667,000.

Operating income is stated before corporate administrative expenses and interest. Corporate administrative expense and interest are 2.35% of total corporate sales. We have reduced estimated operating income by 2.35% of sales or $3,324,944 as follows.

| | |
|---|---|
| Li'l General operating income | $7,667,000 |
| Less 2.35% of sales for corporate administrative expenses and interest | 3,324,944 |
| Estimated Li'l General pretax profit | $4,342,056 |

5. Pretax Profit Per Store Per Day: Li'l General's pretax profit $4,342,056 divided by store days of 168,896 equals pretax profit per store per day of $25.71.

6. After Tax Profit:

| | |
|---|---|
| Li'l General pretax profit | $4,342,056 |
| Less estimated 50% tax rate | 2,171,028 |
| *Estimated after tax profit for Li'l General | $2,171,028 |

Li'l General after tax profits of $2,171,028 have been divided by store days of 168,896 to arrive at after tax profit of $12.85 per store per day.

*General Host, the Li'l General parent company, has loss carry forwards and other tax credits that affect the actual tax rate of the company.

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from the Annual Report
For the Year Ended 6/30/80

| | First Survey 12 mos. ended 6/30/71 | Second Survey 12 mos. ended 6/30/72 | Third Survey 12 mos. ended 6/30/73 | Fourth Survey 12 mos. ended 6/30/74 | Fifth Survey 12 mos. ended 6/30/75 | Sixth Survey 12 mos. ended 6/30/76 | Seventh Survey 12 mos. ended 6/30/77 | Eighth Survey 12 mos. ended 6/30/78 | Ninth Survey 12 mos. ended 6/30/79 | Tenth Survey 12 mos. ended 6/30/80 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Hop-In** Roanoke, Virginia | | | | | | | | | | |
| Number of Stores | 10 | 19 | 22 | 27 | 36 | 76 | 92 | 112 | 132 | 140 |
| Store Growth in Year | 1 | 9 | 3 | 5 | 9 | 40 | 16 | 20 | 20 | 8 |
| Store Days | 3,468 | 5,297 | 7,484 | 8,945 | 11,502 | 17,538 | 30,668 | 37,220 | 44,520 | 49,776 |
| Sales Per Day | $507 | $445 | $581 | $757 | $763 | $653 | $625 | $662 | $714 | $749 |
| Sales Growth Dollars Per Day | | $-62 | $+136 | $+176 | $+6 | $-110 | $-28 | $+37 | $+52 | $+35 |
| Pre Tax Profit Dollars Per Day | | | $11.94 | $20.97 | $30.22 | $25.86 | $21.20 | $28.02 | $25.30 | $23.97 |
| After Tax Profit Dollars Per Day | $3.51 | $7.04 | $10.47 | $13.36 | $17.97 | $15.99 | $12.85 | $17.69 | $16.09 | $14.63 |
| Store Closures | 0 | 0 | 2 | 0 | 1 | 1 | 7 | 0 | 7 | 9 |
| Gasoline Units | 4 | 11 | 14 | 17 | 25 | 50 | 69 | 89 | 108 | 114 |
| Dollars Per Day Ranking | | | Not Included | 5/13 | 9/13 | 4/13 | 8/13 | 7/13 | 8/13 | 11/13 |

### Basis For Profit Per Day Determination

Operated 140 Hop-In stores on June 30, 1980 in Virginia, Tennessee and North Carolina.

1. The annual report states that total sales without gasoline were $37,260,652.

2. Store Days:

| | |
|---|---|
| Store days of stores open all year | 132 x 366 = 48,312 |
| Store days of new stores figured for ½ year only | 8 x 183 = 1,464 |
| Total Store Days | 49,776 |

3. Sales Per Store Per Day: Stores sales of $37,260,652 divided by 49,776 store days equals average store sales of $749 per store per day.

4. Pretax Profits: Pretax profits of $1,193,129 have been divided by store days of 49,776 to arrive at a pretax profit of $23.97.

5. After Tax Profit: After tax profits of $728,129 have been divided by store days of 49,776 to arrive at an after tax profit of $14.63 per store, per day.

Hop-In purchased 15 stores during the year, constructed 1 store, and closed 9 stores.
Growth Plans—Have purchased 2 stores and have 10 stores under construction.

Gasoline not included in sales, Hop-In owns 69 of the gas units, and 45 are owned by others and operated on a commission basis.

# DOLLARS PER DAY SURVEY

**Historical Summary**

Data Taken from the Annual
Report for Year Ended
August 31, 1979

| | 12 mos. ended 8/31/74 | 12 mos. ended 8/31/75 | Seventh Survey 12 mos. ended 8/31/76 | Eighth Survey 12 mos. ended 8/31/77 | Ninth Survey 12 mos. ended 8/31/78 | Tenth Survey 12 mos. ended 8/31/79 |
|---|---|---|---|---|---|---|
| **Mini Mart** | | | | | | |
| Hollywood, Florida | | | | | | |
| Number of Stores | 108 | 120 | 122 | 128 | 119 | 115 |
| Store Growth in Year | | 12 | 2 | 6 | −9 | −4 |
| Store Days | | 41,616 | 44,286 | 45,622 | 43,435 | 41,975 |
| Sales Per Day | | $530 | $480 | 481 | $565 | $684 |
| Sales Growth Dollars Per Day | | | $−50 | $+1 | $+84 | $+119 |
| Pre Tax Profit Dollars Per Day | | $10.33 | $8.94 | $5.13 | $2.52 | $18.77 |
| After Tax Profit Dollars Per Day | | | $5.44 | $3.11 | $1.68 | $11.21 |
| Store Closures | | 1 | 5 | 6 | 21 | 15 |
| Gasoline Units | | | 4 | 13 | 11 | 11 |
| Dollars Per Day Ranking | | | 11/13 | 12/13 | 12/13 | 12/13 |

## Basis For Profit Per Day Determination

Operated 115 small food stores on August 31, 1979.

1. The annual report states convenience store sales were $28,690,752.

2. Store Days:
   Store days of stores open all year $115 \times 365 = 41,975$
   Total Store Days $41,975$

3. Sales Per Store Per Day: Sales of $28,690,752 divided by 41,975 store days equals average store sales of $684 per store per day for the year.

4. Pretax Profits: Pretax profits of $787,684 have been divided by store days of 41,975 to arrive at a pretax profit of $18.77.

5. After Tax Profit: After tax profits of $470,684 have been divided by store days of 41,975 to arrive at an after tax profit of $11.21 per store per day.

Mini Mart opened 11 stores and closed 15 stores during the year. They have 4 strip centers under construction and planning.

# DOLLARS PER DAY SURVEY

## Historical Summary

Data Taken from Annual
Report for Year
Ended 1/3/80

| | First Survey 12 mos. ended 1/2/71 | Second Survey 12 mos. ended 1/1/72 | Third Survey 12 mos. ended 12/28/72 | Fourth Survey 12 mos. ended 1/3/74 | Fifth Survey 12 mos. ended 1/2/75 | Sixth Survey 12 mos. ended 1/1/76 | Seventh Survey 12 mos. ended 12/30/76 | Eighth Survey 12 mos. ended 12/29/77 | Ninth Survey 12 mos. ended 12/28/78 | Tenth Survey 12 mos. ended 1/3/80 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Munford, Inc.** Atlanta, Georgia | | | | | | | | | | |
| Number of Stores | 928 | 959 | 1,057 | 1,246 | 1,348 | 1,408 | 1,310 | 1,351 | 1,211 | 1,184 |
| Store Growth in Year | | 31 | 98 | 189 | 102 | 60 | −98 | 41 | −140 | −27 |
| Store Days | 338,720 | 344,393 | 364,896 | 427,301 | 472,108 | 501,592 | 476,840 | 484,302 | 440,804 | 439,264 |
| Sales Per Day | $307 | $335 | $357 | $404 | $423 | $414 | $442 | $437 | $529 | $586 |
| Sales Growth Dollars Per Day | | $+28 | $+22 | $+47 | $+19 | $−9 | $+28 | $−5 | $+92 | $+57 |
| Pre Tax Profit Dollars Per Day | $5.86 | $8.88 | $8.98 | $10.04 | $12.01 | $11.11 | $5.14 | $(9.42) | $−(.78) | $2.22 |
| After Tax Profit Dollars Per Day | $2.90 | $4.80 | $5.14 | $5.69 | $6.68 | $6.23 | $3.67 | $− | $− | $1.34 |
| Store Closures | | | | | | | 112 | Doesn't state | −273 | −119 |
| Gasoline Units | | 58 | 149 | 245 | 266 | 293 | 350 | 500+ | 512 | 555 |
| Dollars Per Day Ranking | 8/10 | 9/10 | 10/10 | 13/13 | 10/13 | 12/13 | 13/13 | 13/13 | 13/13 | 13/13 |

### Basis For Profit Per Day Determination

Operated 1,184 Majik stores in 15 states on January 3, 1980. The company also operates other divisions.

1. Sales: The 10K states the Majik Market Store sales were $257,586,000.

2. Store Days:

$$\text{Store days of stores open all year} \quad 1{,}184 \times 371 = \frac{439{,}264}{439{,}264} \quad \text{Total Store Days}$$

3. Sales Per Store Per Day: Sales of $257,586,000 divided by 439,264 store days equals average store sales of $586 per store per day for the year.

4. Pretax Loss: The annual report states that the operating gain from convenience food stores was $4,198,000. This was before other income and expense for the company of $6,442,000 which includes interest of $6,705,000 and a gain from disposals of assets of $263,000. Even though the 10K states 88% of company sales are from the convenience store business, we have again taken the charitable approach and have only deducted 50% of the net of other income and expense. When you deduct this ($3,221,000) from convenience store operating income you obtain a convenience food store profit of $977,000. This profit of $977,000 has been divided by store days of 439,264 to arrive at a pretax convenience food store profit of $2.22 per store per day.

5. After Tax Profit: Corporate After Tax Profits are 60.04% of Pretax Profits. After tax small store profits of $586,590 have been divided by store days of 439,264 to arrive at a $1.34 of after tax profit per store per day.

Stores open 24 hours—502 stores. 42% of all units.

Gasoline sales not included in sales.

392 stores were closed in the three years ended 1/3/80.

# EXPLANATION OF THE SURVEY

**General Explanation of Method**

The Dollars Per Day Survey reduces operating figures to a common denominator. This denominator is operating store days. After the number of operating store days is computed, it is then divided into other operating figures such as sales, expenses, pretax and after tax profit. Companies are ranked in the Survey to show relative performance between the chains.

### How Are Operating Store Days Figured?

Since the actual dates of new store openings is not known, all stores opened within the operating year are computed at the half rate.

### What Do You Do Next?

Store days are then divided into other operating figures shown on the annual reports to reduce these figures to a dollars per day basis. Any operating figure can be divided by store days to show its average dollars per day per store.

### When Compared By Company, What Does This Show?

It shows the relative dollar value of the items compared. In this Survey sales, pretax and after tax profits are computed and then compared. The growth rates of these indices are also shown and compared.

### What Is The Primary Purpose of The Survey?

To show and compare pretax dollars of profit of the leading chains in the Industry. To create an awareness of the profitability of the convenience store industry and to point out areas where change may help operators to increase the profitability of their chains.

### Where Are The Basic Figures Obtained?

All data is obtained from the audited annual reports of the companies and/or the 10 K reports filed with the Securities and Exchange Commission. The report uses the figures reported by the chains. It does not make allowances for variations in accounting practices between the chains. Where assumptions have been made, they are clearly indicated in the computation sheet for the individual company.

### Figure Your Own Dollars Per Day

You can compute dollars per day figures for your company and compare them with the leading companies in the Industry.

You will need these figures:
Number of stores you operated at the beginning of your last year
Number of stores you added during the year
Your total sales
Total pretax profit
Total After Tax Profit

Here's how to compute your dollars per day:

1. Compute store days as follows: Store days of stores open all year
   365 X stores open at the beginning of year =A

   Store days of new stores figured for ½ year only
   182 X no. of new stores opened during year = B.
   Total Operating Store Days = A + B
2. Divide total store days into sales to get sales per day per store
3. Divide total store days into pretax profit to get pretax profit per day per store
4. Divide total store days into after tax profit to get after tax profit per day per store
5. Rank your results along with the chains in the survey
6. Consider what steps you should take to increase your dollars of pretax profit per day per store

You may also want to use this method to compare other operating figures within your own company. It is helpful in comparing this year against last year. You can compare one store against another, or one division against another. The method reduces large, non-comparable operating numbers to a basis where you can easily comprehend and compare them with other numbers on a common basis. Should you have questions about this method, please contact the Dollars Per Day Survey for assistance.

## Historical and Biographical Information on the Companies listed in this Survey:

Last year we asked each of the companies to submit historical and biographical information on their firms. We agreed not to edit the material, but merely to present it as received from them. We also asked them for any corrections or suggestions they might have on previous reports. No suggestions or corrections were reported. We received information from seven of the chains listed in the Survey. This year the Southland Corporation, Lil' Champ, and Hop-In made additions or changes to the material they submitted last year.

## Circle K Historical Summary

Twenty-eight years ago, Fred Hervey purchased three Kay's Drive In Food Stores in El Paso, Texas. From that modest beginning evolved The Circle K Corporation of which Hervey is now Chairman of the Board and President. Today, the industry trendsetter has 1,180 stores which will produce total annual sales of over 500 million dollars this fiscal year.

From 1951 to 1957 additional stores were added and the company became known as Circle K Food Stores, Inc. In late 1957, the company expanded operations into the State of Arizona. By 1959, there were 25 stores producing annual sales of $4.9 million.

In 1963, the company went public and is listed on the American Stock Exchange (CKP). It was then that The Circle K Corporation name was established. At the end of 1972, the company operated in eight states: Arizona, California, Colorado, Idaho, Montana, Oregon, New Mexico and Texas. Later, stores spread into Nevada, Oklahoma, Utah and Washington.

Rapid growth challenged management to keep pace with the increasing complexities of a developing enterprise. We approached this task with the simplified viewpoint which holds that the decision making works best when lines of authority remain short and communication is open. As a result of this development, major decisions are now divided between the Board of Directors which makes policy decisions affecting long-range plans and the Policy Board whose jurisdiction encompasses operating decisions. In this way, major policy decisions of the company and day-to-day operating functions are translated into action with a minimum of red tape and transmittal time.

Circle K is geographically divided into four regional areas: Central, Northwest, East and West. Operations responsibility rests on the regional directors in each of the four areas. They, in turn, depend on area managers to keep things running smoothly and efficiently in 17 offices throughout the 12-state Circle K territory. Each area manager directs the activities of from one to six division managers. Each division manager controls 35-40 stores on the average, working through zone managers who directly supervise from seven to twelve stores each.

Consumer demands have played a major role in the expansion of its operations. Responsive management in areas such as fast foods, ice, health and beauty aids, money orders and giftware items are important aspects of our development. Most recently, the company entered the competitive soft drink field with the introduction of Hi Spark'l soda pop and Verde Springs mixers produced at their new bottling and canning plant in Phoenix, Arizona. Distribution centers and ice plants are located in Phoenix and Tucson, Arizona, and Albuquerque, New Mexico.

Financial success results in part from management's ability and willingness to respond to change. Latest quarterly figures (as of July 31, 1979) show net earnings increased 43.8% over the same period last year, proving the company's ability to prosper in the face of inflation and government regulation. Behind this remarkable performance record is a management team which gears its efforts to the original concept — convenience. Confirming this to the public is their slogan, "The Easy Way."

What does the future hold for Circle K? Our established goals are to increase earnings per

store, improve return on investment, gain an additional share in each of our market areas and improve earnings for stockholders.

**Corporate Officers**

Fred Hervey
Chairman of the Board and President

William G. Sullivan
Vice President

L.F. Beard
Secretary

John Campbell Schweitzer
Treasurer

**Policy Board**

Robert E. Hutchinson
President, Policy Board

P. Howard Cyr
Vice President, Policy Board

Joe Clark
Director of Operations,
Central Region

James H. Johnson
Director of Operations,
Northwest Region

Robert J. Perona
Director of Operations,
East Region

William H. Remmers
Director of Operations,
West Region

Robert H. Stahl
Director of Merchandising
and Advertising

Bill J. Farmer
Controller

Jack Lenz
Director of Distribution Centers

## Dillon Companies, Inc. Historical Summary

Dillon Companies, Inc. operates three convenience store subsidiaries in addition to the supermarket operations. The convenience store subsidiaries operate 305 stores in a five state area and comprise approximately 8% of the company's volume and profits.

Kwik Shop, Inc. was incorporated in the State of Kansas in April of 1960. Kwik Shop operated stores in Kansas throughout the sixties and expanded into Nebraska and Iowa in 1968 and 1969. Self-service gasoline was added in 1972 and is now offered in the majority of the outlets. Kwik Shop operates 113 stores, of which approximately 30% are franchised, under the direction of Douglas Chrislip, President.

Quik Stop Markets were acquired by Dillon Companies in 1970, operating stores in the San Francisco bay area. Self-service gasoline was added to their operation during 1970 and expansion into the Los Angeles market was begun in 1973. Quik Stop now has 91 franchisee-operated outlets in California with the majority offering self-service gasoline. Gus Xepoleas is President.

Time Saver Stores are the most recent addition to the Dillon "Convenience Store Family," having been acquired in February of 1978. Time Saver has 101 company-operated outlets in the greater New Orleans, Louisiana area and also offers self-service gasoline in the majority of their locations. Time Saver will be adding a new ice plant and a merchandise warehouse in the coming year to provide additional efficiency to their operation. Levere C. Montgomery, Jr. is Chairman and E. Clark Montgomery is President.

## Southland Corporation Historical Summary

The Southland Corporation, founded in Dallas, Texas, in 1927, is the world's largest operator and franchisor of convenience stores and the nation's 13th* largest retailer.

Southland pioneered the convenience store concept during its first year of operation when its retail ice outlets sold milk, bread and eggs as a convenience to customers.

Today, its more than 6,800 7-Eleven Stores, located in neighborhoods across the nation and Canada, serve approximately six million customers a day. Each 7-Eleven carries a product mix of more than 3,000 items, enabling customers to shop quickly and conveniently.

Southland's activities are grouped into three lines of business — a Stores Group, Dairies Group and a Special Operations Group, whose combined sales exceeded $3.8 billion in 1971.

The Stores Group operates 7-Eleven Stores in 42 states, the District of Columbia and five provinces of Canada. An additional 376 7-Eleven Stores are operated under area licenses. Retail operations in metropolitan New York include 103 Gristede's and Charles & Co. food stores and sandwich shops.

*See Fortune July 14, 1980

In the United Kingdom, Southland operates 401 R.S. McColl confectionery, tobacco and news (CTN) stores and 17 7-Eleven Stores. Southland also has an equity interest in nine stores in Mexico and 31 in Sweden. In addition, 1,000 7-Eleven Stores in Japan, 31 in Taiwan, 24 in Australia and 13 in the Maritime Provinces of Canada are operated under area licenses.

Four distribution centers, located in Texas, Florida, Virginia and Illinois, serve 4,411 or 65 percent of the 7-Eleven Stores.

The Dairies group is the fourth largest processor of dairy products in the United States. Twelve well-known regional brands are distributed to 34 states and the District of Columbia.

The Special Operations Group includes the Chemical, Reddy Ice, Tidel Systems and Chief Auto Parts Divisions.

John P. Thompson, Southland's chairman of the board and chief executive officer, and Jere W. Thompson, president, are the sons of the late Joe C. Thompson, who as a young ice company executive started the convenience store idea.

One of Southland's employees, "Uncle Johnny Green," experimented by selling milk, bread and eggs from his ice station in 1927. With Thompson's approval, Uncle Johnny Green sold 12 convenience items over the usually dormant winter months and returned a $1,000 check to Thompson in the spring, representing the company's share of his profits. At that moment, the convenience store idea was born.

The name 7-Eleven originated with the 7 a.m. to 11 p.m. hours of operation, which have been extended in most of the stores, with 86 percent open 24 hours, round-the-clock.

The company and its 44,000 employees are active in social awareness and community endeavors throughout the country. In the five years Southland has participated in the Jerry Lewis Labor Day Telethon for the Muscular Dystrophy Association, the company has raised $18.2 million. Southland Dairies became the first corporate sponsor of the March of Dimes in 1978 and sponsored the 1979 Mothers March on Birth Defects.

## Lil' Champ Historical Summary

Lil' Champ Food Stores operations started from scratch on July 1, 1971 by the purchase of six convenience stores. By March 28, 1972 the company had grown to fourteen stores and Lil' Champ, at that time, went public by the way of a public offering of its stock at $5.00 a share.

Lil' Champ closed its 1980 Fiscal Year May 3rd, 1980 with 138 stores.

Julian E. Jackson is President and Chief Executive Officer of Lil' Champ. He is assisted by three of his sons in the business, Eddie K. Jackson as Executive Vice President, Victor P. Jackson as Vice President and Julian E. Jackson IV as Supervisor of Stores. Charles W. Travis is Vice President in charge of Store Operations.

All of the above are veterans in the Convenience Stores business and were responsible for the operation of Jackson's Minit Markets until 1969.

Lil' Champ is a real professional operation that is staffed by experienced personnel, in addition to the above-mentioned Officers, others that are also responsible for the success of Lil' Champ are Ben Bromberg, Treasurer; Jim Crowell, Controller; Gloria K. Wilson, Assistant Controller; John S. Duss, Secretary and Elmer C. Rorrer, District Manager. All of the above were also involved in the operation of Jackson's Minit Markets (at the time, the second largest Convenience Chain in the country) and came over to join in the operation of Lil' Champ.

Lil' Champ Stores strive for perfection and are considered to be the Cadillac of the Convenience Store Industry wherever they operate.

## National Convenience Stores Historical Summary

National Convenience Stores was incorporated in Texas in 1959 as U-Tote-M of San Antonio, Inc. Early the next year the Company began to operate its first five stores. Nearly twenty years after that modest beginning, NCS has become a company of approximately 820 stores generating annual sales volume in excess of $400 million.

During its second year of operation the Company expanded to Southern California and increased sales to the $1 million level. In 1962, with 21 stores in operation, the Company changed its name to National Drive-In Grocery Corporation. The next year saw it expand to a third state, Nevada, and move its headquarters to Anaheim, California, a location more convenient to its West Coast concentration of stores. The following year, 1964, National Drive-In Grocery Corporation liquidated its franchise agreement with U-Tote-M, thereby becoming an independent company, and saw sales in its 70 stores pass the $5 million mark.

Eastward expansion began in 1965 with the addition of the state of Georgia, followed within two years by Tennessee and Mississippi. In 1965 corporate headquarters was moved to Houston, a location nearer the center of the Company's developing national network. By the end of its 1968 fiscal year, the Company had 300 stores in operation in six states, sales of $39 million and a new name, National Convenience Stores Incorporated.

The ten-state level was reached in 1969 when Louisiana, Kansas, Missouri, and Arizona became sites of Stop N Go and Shop N Go convenience food markets. Also during that year the 57 store chain of Handee food stores in Houston was acquired. By year-end the Company had 414 convenience markets in operation which were producing sales in excess of $50 million.

The following year, 1970, the Company entered the self-service gasoline business on a commission basis with the installation of equipment owned by others at a few store locations. The first refreshment centers were installed in 1971.

In 1972 the Company made its first public offering of 291,000 shares of common stock, producing net proceeds of $4.4 million. The stronger financial position that resulted enabled the Company to change its policies regarding gasoline, effectively increasing its profits through ownership of the installations.

By the end of the 1973 fiscal year, NCS had added Florida to its field of operations with the acquisition of the PDQ stores in West Palm Beach. Expansion into Colorado that same year brought the number of stores to 646 with annual sales of $100 million.

In 1974 NCS experienced its fastest growth, as 182 stores and one new state, Oklahoma, were added to the network, bringing the number of stores in operation at year-end to 808 and the number of states to 13. This record expansion and the augmenting of its gasoline program permitted the Company to ring up almost $200 million in sales in fiscal 1975, an amount almost double that achieved only two years earlier and four times as great as sales had totaled six years before.

Store growth slowed in 1977 when the Company sold its Kansas City operation in Kansas and Missouri, reducing its area of operations to 11 sunbelt states. This was in keeping with the Company's philosophy of maintaining quality operations with emphasis on earnings growth per store — not number of stores — to achieve primary growth in profits. Fiscal '77 saw average sales per store grow at twice the industry rate with an earnings per share increase of 32%, and brought a commitment to shareholders to double '77 earnings within three years.

Expansion in 1978 and 1979 of the Company's distribution centers, fast food centers, and gasoline facilities were part of the Company's commitment to responsive marketing. This commitment resulted in a unique concept in convenience stores when NCS opened its first 3,600 sq. ft. Superstore in February 1979 in Houston. A second Superstore is scheduled for opening in Austin, Texas before the end of 1979.

The Spring of 1979 brought two significant developments to NCS. In April the Company was listed on the American Stock Exchange. In May the Company acquired the 85 store chain of Texas Super Duper Markets, Super Quik Incorporated, and Jay's Washaterias. The acquisition makes NCS the largest operator of convenience stores in the greater Houston area.

## Hop-In Historical Summary

Hop-In was incorporated as Jiffy Food Stores on June 23, 1966.

Founder John M. Hudgins was then president of Associated Grocers, a cooperative wholesale grocery distributor in Salem, Virginia.

After two years, however, Mr. Hudgins resigned his position to devote his full time and attention to the development of Jiffy Food Stores.

Stock was sold to the public in 1968 when the company operated two stores. And two subsidiary corporations were formed — Bardan, Inc., and Bede, Inc. — to be the stores' operating companies.

### Founding Better Convenience Stores in a Jiffy

In fiscal 1969, the company built four stores and bought two, bringing the total number of locations to eight.

In 1970, one more Jiffy Food Store was opened. And in fiscal 1971, the corporation attained its goal of ten stores in operation in Virginia.

Malcolm Reid, just retired president of Reid Stores, Inc., and former president of the National Association of Retail Grocers and the Virginia Food Dealers Association, joined us in 1971 as a director. John Moticha also joined the company as controller in 1971.

At the same time, the company's name, Jiffy Food Stores, was changed to Hop-In Food Stores, Inc.

By the end of 1972, Hop-Ins' numbers had almost doubled.

In addition to the first 10 Hop-Ins, 9 more were in operation.

Three other stores were added in 1973. And in 1974, Hop-In took over a 3-store chain formerly known as Woody's Food Stores and built two new Hop-Ins in Fieldale and Salem, Virginia.

### Organizing Operations By Division

At this time, Lucious Bowen joined the management team as Operations Manager. Under his direction, the company restructured its management system to operate northern and southern divisions.

In 1975, constructing 8 new stores, purchasing 2, and closing 1 unprofitable unit brought the total of Hop-In stores to 36.

Geographically, Hop-Ins' territory expanded to Pearisburg, Harrisonburg, and Charlottesville, Virginia, and to Madison and Reidsville, North Carolina.

As a result of this growth, we expanded Hop-Ins' management structure from two divisions to three. Winston-Salem, North Carolina, was designated as the center of the new district.

By the end of fiscal 1976, we had constructed 4 new stores, purchased 37, and closed 1, bringing our total to 76.

The most significant purchases were 29 stores acquired from Convenient Systems, Inc., in Virginia and North Carolina, and 5 acquired from Fred Wynne in Virginia.

### Counting Hop-Ins' Numbers by Computer

By 1977, Virginia and North Carolina had 92 Hop-In convenience stores. And the company had three wholly-owned subsidiaries — Bede, Inc., and Bardan, Inc., store operating companies, and Marketing Equipment and Supplies, Inc., a distributor of store refrigeration equipment and shelving.

Major acquisitions included 6 Garden Basket stores and 12 Bantam Markets.

In this same year, we expanded our general offices and installed a Honeywell computer to handle our internal accounting and controls.

1978 was another year of record sales and expansion. Our largest purchase was a chain of 11 Trayer Food Shops in the Tri-Cities area of Bristol, Virginia-Tennessee.

By June 30, 1978, Hop-In had 112 stores in operation. Total revenues amounted to $31,714,000.

### Pumping Up the Profits With Gasoline Sales

Hop-In began selling gasoline under the trade name Fill'Em Fast at some of our stores in 1969.

In 1972, Richard A. Nelson joined Hop-In as Vice President/gasoline coordinator. And in 1974, Hop-In began purchasing pumping equipment and gasoline in order to offer self-service gas at other locations under the Hop-In name.

Facilities at 58 of the 108 stores currently offering gasoline are owned by Hop-In and 50 facilities are owned by suppliers and operated by Hop-In on a commission basis.

Hop-In's gas prices are generally lower than stations selling national brand gasoline and competitive with those charged by independent stations in the area.

Most Hop-In stores pump an average of 30,000 gallons of gasoline a month.

That gas represents a lot of mileage for our customers' cars.

And a lot of profits for Hop-In, too.

**Multiplication by Acquisition**

In 1979, Hop-In signs began to appear all around Knoxville, Tennessee, as a result of the acquisition of 2 convenience store chains.

Earlier this year, Hop-In purchased 5 Pride Markets and 12 Family Pantry convenience stores. These new locations brought the number of Hop-In stores in Tennessee to 24.

Altogether, Hop-In now has 132 stores in Virginia, North Carolina, and Tennessee.

The company has experienced a remarkable rate of growth since store #1 opened on Aperson Drive in Salem, Virginia, June 23, 1966. And our history shows our growth has been primarily by acquisition rather than construction.

Hop-In Food Stores, Inc. (OTC) and Silverwood Industries Limited (TSE) announced today (March 27) that a wholly owned United States subsidiary of Silverwood has acquired from Hop-In 200,000 common shares of Hop-In at $13 per share. These newly issued shares represent approximately 33⅓% of Hop-In's presently outstanding common stock.

Silverwood Industries Limited owns Mac's Convenience Stores, Inc., a chain of approximately 642 convenience stores in Canada and 33 stores in Michigan, Silverwood Dairies, Baskin-Robbins in Canada, Londonderry Distributors, and Three Crowns Restaurants.

According to the President of Hop-In Food Stores, Inc., John M. Hudgins, Jr., "This transaction represents a strong move forward to our company. It puts us in a most positive financial posture for the continuing efficiency and growth of our Company. The cooperation of Silverwood should prove invaluable to us as our Company moves forward."

## UtoteM Historical Summary

UtoteM was founded in Houston in 1949 as an outgrowth of the traditional "ice house." Grocery products were added for the convenience of consumers who came to purchase ice, thus the attitude of providing the products and services that consumers want in the most convenient manner was part of UtoteM's philosophy since its beginning.

Growth initially was concentrated in the Houston area, with emphasis on prime locations. By 1967, UtoteM had grown to a chain of 300 stores in Texas, Arizona, Alabama, Florida, Colorado and Oklahoma. That year, UtoteM merged into Fairmont Foods Company, a Fortune 500 company in the dairy and snack foods businesses.

UtoteM continued to thrive under Fairmont, and today UtoteM has 934 stores located in 12 states, primarily in the Sun Belt. In addition to the six stated in which UtoteM was operating, Fairmont expanded UtoteM in California, Ohio, Kentucky, Missouri, Kansas and Arkansas. UtoteM is the fourth largest publicly-owned convenience store chain in number of stores in the United States.

Today, UtoteM is planning an accelerated store opening program and is considering acquisitions that fit its growth philosophy. Emphasis is on stores that fill in gaps between current markets and stores that expand outward from those markets. This philosophy takes advantage of UtoteM's strength in Sun Belt states, which are expected to show greater population increases than the national average.

UtoteM was a pioneer in offering gasoline to its customers, and today 55% of its stores sell gasoline, with that percentage expected to increase in the future.

Flexibility in store design and product mix will permit new stores to be designed to meet the needs and opportunities of specific sites. For example, stores are being designed with "deli sections" to cater to people who want a quick meal.

UtoteM still sells its original product-ice, and a new plant opened in fiscal 1979 will permit even more expansion of UtoteM's ice business. The plant produces both cube and block ice and has large storage and maintenance facilities.

E.W. Kelley is President and Chief Executive Officer of Fairmont Foods. James Williamson, Jr. is Executive Vice President of Fairmont and Chairman and President of UtoteM.

## Additional Information From the 10 K's

To provide additional information on the six chains that have not provided historical data we have included material from the 10 K's these companies have filed with the Securities and Exchange Commission. This will provide you with background information on these chains.

Excerpt from the 10K, Mini Mart, August 31, 1979

## Item 1 — Business

Mini Mart Corporation (the "Company"), organized under the laws of the State of Delaware, is engaged in the operation of self-service, convenience, retail food stores on leased premises. The number of stores in operation has decreased from 119 at August 31, 1978, to 115 at August 31, 1979. There has been a decrease in the number of full-time and part-time employees from approximately 566 to 541 during the same period.

In many ways the stores operated by the Company resemble modern day general stores. The stores sell food and beverages (including dry groceries, canned goods, meats, produce, dairy products, breads, pastries, soft drinks, beer and wines), as well as non-food items (including tobacco products, cosmetics and sundry drug products). Several stores also sell delicatessen, salad products and make fresh sandwiches. Customers can also purchase newspapers, magazines, stamps, money orders, and other sundry products in the stores. Additionally, customers may purchase gasoline at 21 of the 115 stores. As to the gasoline locations, several are the subject of agreements providing for gas sale revenues to belong to an unaffiliated entity and others provide that such revenues belong to the Company.

Generally, the Company's stores are open from 6:55 a.m. until 11:00 p.m. every day of the year, are located in residential areas or on main thoroughfares, and are on sites which are easily accessible and have ample parking facilities.

Store managers order their inventory from merchandise lists prepared by the Company. The product mix varies from store to store depending upon the anticipated buying habits and requirements of specific areas. Substantially all of the items sold by the Company are nationally or locally advertised brands.

There has been no significant change in the kind of products or services rendered by the Company or in the methods of sale since the beginning of the fiscal year. The Company's business is highly competitive as it competes with all other retail food stores, including grocery chains, supermarkets, individual food stores and other convenience stores, as well as with stores selling non-food items similar to those sold at the Company's stores. Supermarkets and other competing stores may charge less for their products than the Company's stores. Many of the Company's competitors have larger financial resources and sales than the Company. There is also a high degree of competition for desirable locations for convenience food stores in the areas in which the Company operates. There has been no significant change in competition during the year.

The Company has the exclusive franchise for the use of the name "U-Tote'M" in all of Orange and Seminole Counties, Florida, until May 31, 1987. Of the Company's 115 stores, 102 are located in Florida, 6 in New Jersey and 7 in Pennsylvania.

Purchases are made from a variety of different sources and management believes that such sources will continue to make products available to the Company, as needed, in the future. Alternative sources of supply are available in the event that any current source becomes unavailable.

Mini Mart Development Corp., a wholly-owned subsidiary of Mini Mart Corporation, is engaged in land acquisition for either investment or development as business strip centers. National Inventory Service Corp., a wholly-owned subsidiary of Mini Mart Corporation, has been inactive since 1973.

During the fiscal year ended August 31, 1979, the Company owned eleven (11) additional stores. During the same period, the Company closed fifteen (15) of its stores.

Closings are typically due to lease expiration, condemnation, sale of a store, sub-letting to another party, or the business decision to merely close operations at certain stores.

Excerpt from the Annual Report of Sunshine Stores, Inc., December 31, 1979

## Item 1. Business

Sunshine Jr. Stores, Inc., a Florida corporation, (the "Company") is engaged in the business of operating food supermarkets in Bay County, Florida, and convenience food stores in the States of Florida, Alabama, Georgia, Mississippi and Louisiana.

The Company also operates a distribution center at its headquarters in Panama City, Florida., which supplies the majority of its retail outlets. The Company also operates a bakery which supplies the supermarkets and a commissary which prepares pre-packaged salads and sandwich items for sale by the Bay and Guld County, Florida, retail outlets.

The convenience stores division of the Company operates under the trade name "Jr. Food Stores." As of December 31, 1978, the Company had 315 convenience food stores in operation in the 5 states where the Company does business. The Company opened 37 new Jr. Food Stores in 1978 and closed 9 existing stores that had become unprofitable operations, making a net gain for 1978 of 28 additional stores. The locations of the convenience food stores now in operation are:

| | |
|---|---|
| Florida | 147 |
| Alabama | 136 |
| Mississippi | 19 |
| Georgia | 10 |
| Louisiana | 4 |
| Total in operation | 316 |

There were also 17 stores under construction or pending construction.

In recent years, the Company has begin to emphasize the sale of gasoline at its convenience store outlets. In 1978, 43 gasoline facilities were added to the convenience stores, 4 were closed, bringing the total number of gasoline outlets to 230 at the close of the fiscal year, December 31, 1978. All of the gasoline installations are designed for self-service.

The Company's emphasis has been and is expected to continue to be primarly in the convenience food store business, including the sale of gasoline, although there is no intention to discontinue the supermarket operation.

The Jr. Food Stores are generally open from 7:00 o'clock, a.m., until 11:00, p.m., daily, including Sundays and holidays. The Company now keeps some stores open on extended hours, 25 of which are open 24 hours a day. The convenience stores, for the most part, attract shoppers in the early and late hours on weekends and holidays. They are self-service stores which offer a selection of groceries, beer, wine, dairy, health and beauty aids, tobacco items, bakery items and pre-packaged ice cubes, usually limited to the most popular brands and sizes. All Jr. Food Stores operate on a cash and carry basis, and Company studies indicate that the customers generally intend to purchase 3 or 4 items. Some of the Jr. Food Stores also offer soft ice cream. In certain areas, the convenience stores, due to local laws, are either limited in or prohibited from the sale of beer, wine or both.

The Company does not record its sales in the convenience stores on the basis of product category, but estimates that the percentage of convenience store sales by principal product category in 1978 was approximately as follows:

| | % of Sales |
|---|---|
| Gasoline | 34% |
| Groceries | 14% |
| Beer and wine | 10% |
| Soft drinks | 9% |
| Tobacco products | 8% |
| Health and beauty aids and non-foods | 7% |
| Dairy products | 5% |
| Cookies and snacks | 5% |
| Meat and delicatessen items | 3% |
| Bakery | 3% |
| Magazines and newspapers | 2% |

**Item 1. Business**
**General**

Shop & Go, Inc. (the "Company") operates self-service convenience retail food stores under the name "Shop & Go." These stores, located primarily in central Florida, carry a broad line of food-stuffs and other convenience items. Gasoline is offered for sale on a self-service basis at many of the Company's store locations.

The Company, which was incorporated in 1959, had 381 stores in operation on April 3, 1980, the close of its most recent fiscal year. Of this number, 358 stores (approximately 94%) were located in Florida, and 23 stores (approximately 6%) were located in southern Georgia. A total of 225 stores (approximately 59%) offered gasoline for sale.

At year end, 10 more stores were under construction, and arrangements had been made to construct nine additional stores. Management anticipates that approximately 90% of the stores under construction at year end will offer gasoline for sale.

During each of the five fiscal years ended in 1978, the Company grew by an average of approximately 48 additional stores. However, in fiscal 1978, management determined to reduce substantially the rate of growth of the Company to allow management to devote more time to the selection of new store locations and the remodeling and upgrading of existing stores. Management currently would prefer to have the Company grow at a rate of 25 to 30 stores per year and now estimates that the Company will have approximately 405 to 410 stores in operation by the end of fiscal 1981. There can be no assurance that the currently estimated rate of expansion will be maintained in future years. During fiscal 1980, the Company was especially selective in choosing new store locations and also devoted substantial energy to the remodeling of older existing stores. As a result, the Company fell short of its expansion goal. Eleven stores were opened or acquired, and nine stores were sold or closed.

Management believes that the most fruitful expansion potential for the Company currently is available in southwest central Florida and has determined to concentrate its efforts in that area. At the present time, two additional locations are planned for southern Georgia. To date, the contribution of operations outside of Florida has not been material.

The Company's growth during the past five fiscal years has been generated primarily through internal expansion rather than by acquisition of significant numbers of stores from existing businesses. Ten of the 11 stores opened during fiscal 1980 were the product of internally generated growth.

Most stores are located in the outskirts of cities, in small towns and in rural areas. Substantially all stores are free-standing or are located in strip shopping centers which are comprised generally of one to three other businesses, such as barber shops, beauty salons, laundromats or similar types of businesses, in addition to the Company's store. As a matter of general policy, the Company does not locate stores in major shopping centers.

The Company's stores are generally open from early morning until late at night, at least from 7:00 a.m. to 11:00 p.m. Hours of operation are set and adjusted on a store-by-store basis to accommodate customer traffic patterns peculiar to individual store service areas. As a result, many of the Company's stores are open from 5:00 or 6:00 a.m. to 12:00 midnight or 1:00 a.m.; and, a number of stores operate 24 hours per day. The Company's stores emphasize the sale of "traffic building" items, such as beer, soft drinks, cigarettes, wine, bread, milk and other dairy and bakery products. The great majority of sales are of a small number of items to customers wanting rapid service.

All of the Company's revenues and profits are derived from operations in the southeastern United States.

The following table indicates, for each of the Company's last five fiscal years, the percentage of the Company's revenues and operating profit attributable to the two segments which comprise the Company's business—sale of convenience store items and gasoline rental commission payments. Gasoline is offered for sale at the Company's stores through arrangements pursuant to which the Company receives a commission on each gallon of

gasoline sold. Only such gasoline commissions, and not the gross sales price of gasoline, are recorded as revenue. Accordingly, virtually all gasoline rental commissions constitute operating profit.

| | Fiscal Year Ended | | | | |
|---|---|---|---|---|---|
| Segment of Business | 1976 | 1977 | 1978 | 1979 | 1980 |
| Convenience Store Items | | | | | |
| Percentage of Revenues | 99% | 99% | 99% | 99% | 98% |
| Percentage of Operating Profit* | 81% | 80% | 79% | 82% | 67% |
| Gasoline Rental Commissions | | | | | |
| Percentage of Revenues | 1% | 1% | 1% | 1% | 2% |
| Percentage of Operating Profit* | 15% | 17% | 19% | 14% | 28% |

*The changes in the percentages of operating profit contributed by convenience store items and gasoline rental commissions resulted primarily from fluctuations in the average per gallon commission paid on sales of gasoline at the Company's store locations in various years. In fiscal 1976, gasoline commissions were affected by the increase in the number of the Company's stores offering gasoline for sale (62 at 3/31/75 and 118 at 3/31/76). The impact of additional stores offering gasoline for sale in fiscal 1977 (192 at 3/31/77) was partially offset by a reduction in average per gallon rental commissions. Increases in average per gallon rental commissions and the number of stores offering gasoline for sale in fiscal 1978 (118 at 3/31/77 and 225 at 3/30/78) resulted in the percentage increase in operating profit. Proportionately, these increases in the number of stores offering gasoline for sale in fiscal 1976 and 1977 occurred at faster rates than increases in the total number of convenience stores. In fiscal 1979 and 1980, there was no change in the number of stores equipped to vend gasoline. In fiscal 1979, total rental commissions did increase as a result of increased average per gallon commissions and increased total gallons vended; however, these increases were more than offset by increases in income generated from the sale of convenience store items. In fiscal 1980, average per gallon rental commissions on gasoline sold increased dramatically, and total gallons of gasoline sold at its store locations also increased slightly. These increases in total gasoline commissions, as a percentage of total operating profit, more than offset increases in total convenience store sales.

The information set forth above regarding segments of the Company's business corresponds to that disclosed in prior years regarding the Company's lines of business.

Excerpt from the 10K of Munford, Inc.,
January 3, 1980

# PART I

## Item 1. Business

### GENERAL DEVELOPMENT

Munford, Inc. (the "Registrant") was founded in 1909 as a coal and ice supplier ("Ice Division"). From its beginnings in the manufacturing of ice, the Registrant entered into the storage of refrigerated product ("The Refrigerated Warehouse Division"). In 1949, the Registrant opened its first convenience store ("The Convenience Food Stores Division"). In 1962, the Registrant acquired The Munford Stores, Inc., a chain of building material stores, and in 1968, Jackson's Minit Markets, Inc., a chain of convenience stores located primarily in Florida. In 1965, the Registrant began operation of its retail import stores ("The Retail Import Stores Division").

The Registrant acquired Farmbest Foods, Inc., a dairy processor located primarily in the southeastern United States ("Dairy Processing Division") in 1975. In December, 1977, the Registrant announced its intention to sell this division, and the sale was consummated on September 1, 1978.

In the second quarter of 1978, the Registrant sold substantially all of the assets of its Ice Division, but retained one ice manufacturing and distribution facility in Hampton, Virginia. The Building Materials Division was discontinued in 1979.

The Registrant operates currently in 25 states and employs approximately 8,500 people. The Registrant is primarily engaged in the following businesses: Convenience Food Stores, Refrigerated Warehousing and Retail Import Stores.

### FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

Prior to 1977, the Registrant categorized its businesses into three divisions, as follows: Retail — consisting of Convenience Food Stores, Import Stores and Building Materials Stores; Refrigerated Warehouses; and Dairy Processing.

The Registrant, pursuant to guidelines established by the Securities and Exchange Commission and Statement of Financial Accounting Standards No. 14, has categorized its continuing businesses into the following industry segments: Convenience Food Stores, Refrigerated Warehouses, Import Stores, Corporate and Others. The following information is furnished regarding the Registrant's industry segments for the period 1975-1979, inclusive:

**Financial Information Relating to Industry Segments**
**(5 year comparison — in thousands)**

| | 1975* | 1976 | 1977 | 1978 | 1979 |
|---|---|---|---|---|---|
| **Sales to Customer:** | | | | | |
| Convenience Food Stores | $207,165 | $211,688 | $211,401 | $233,174 | $257,586 |
| Refrigerated Warehouses | 8,510 | 9,584 | 10,104 | 10,960 | 11,561 |
| Import Stores | 7,364 | 7,609 | 9,646 | 14,338 | 21,221 |
| Corporate and Others | 3,745 | 3,923 | 2,427 | 1,560 | 1,999 |
| **Inter-segment Sales:** | | | | | |
| Convenience Food Stores | | | | | |
| Refrigerated Warehouses | | | | | |
| Import Stores | | | | | |
| Corporate and Others | 853 | 692 | 528 | 269 | 45 |
| **Operating Profit or (Loss):** | | | | | |
| Convenience Food Stores | 6,794 | 4,716 | (15) | 2,315 | 4,198 |
| Refrigerated Warehouses | 2,190 | 3,199 | 2,972 | 3,230 | 4,025 |
| Import Stores | (494) | 663 | 785 | 1,296 | 2,106 |
| Corporate and Others | (1,122) | (941) | (963) | (753) | (543) |
| **Identifiable Assets:** | | | | | |
| Convenience Food Stores | 44,458 | 76,679 | 83,287 | 77,621 | 74,461 |
| Refrigerated Warehouses | 11,008 | 16,837 | 16,730 | 17,505 | 19,323 |
| Import Stores | 12,235 | 15,631 | 16,982 | 20,472 | 21,214 |
| Corporate and Others | 13,116 | 16,835 | 11,745 | 17,549 | 14,270 |

*Profit (loss) and identifiable assets for 1975 are not comparable to subsequent years because this year has not been restated to give retroactive effect for lease accounting as discussed in Note 13 to the Consolidated Financial Statements. Accounting for leases during this year on a basis comparable with subsequent years would have had the effect of increasing assets and reducing operating profit (or increasing operating loss) due to different amounts of interest, rents and depreciation.

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## DESCRIPTION OF BUSINESS

### Convenience Food Stores Division:

This operation constitutes the largest single portion of the Registrant's business. At January 3, 1980, the Registrant operated 1,184 convenience food stores under the name MAJIK MARKETS® in the states of Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Michigan, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia, 620 of which are located in Florida and Georgia.

Following is a table which reflects the contribution of Convenience Food Stores to the Registrant's sales in each of the years 1975-1979, inclusive.

| Year | Convenience Stores Percent of Sales |
|---|---|
| 1975 | 91 |
| 1976 | 91 |
| 1977 | 91 |
| 1978 | 90 |
| 1979 | 88 |

The Registrant's stores are of a comparatively small size, approximately 40' x 60', and carry a merchandise inventory which averages approximately $20,200 valued at cost. Stores are open generally from 7:00 a.m. to 11:00 p.m., seven days a week, and 502 stores are open 24 hours per day. The stores carry basic food items such as bread, milk, eggs, and frozen and canned foods. Tobacco products, soft drinks, and beer (where legal) contribute significantly to sales. The stores also carry a small line of health and beauty aids, toys and amusement items. Gasoline is sold at over 555 convenience food store locations, in 14 states, primarily under arrangements with Cities Service Company and Gulf Oil Corporation, whereby the Registrant sells gasoline owned by Cities Service and Gulf. The total retail value of these gasoline sales is not included in Registrant's revenue, as only an operating fee is reported. The stores provide off-street parking and self-service for customer convenience.

In metropolitan Atlanta, Georgia, the Registrant operates an 85,000 square foot warehouse which supplies 475 stores with dry groceries; frozen foods and cigarettes. In other localities, where Registrant's stores are not serviced by this warehouse, merchandise is purchased for resale from local suppliers. The Registrant is a member of several grocery cooperatives.

Commencing in 1977 and continuing in 1979, the Registrant closed approximately 392 stores responding to increasing costs of operation by changes in the minimum wage law and highly competitive conditions. Many of the stores which were closed were older, smaller stores which had not produced sales volume sufficient to offset the increasing operating costs. To counter the closings, the Registrant has begun to reposition its convenience stores by initiating a program of opening convenience stores on the site of high-traffic gasoline stations. The major oil companies contribute the cost of location and the gasoline inventory, while the Registrant supplies the food store inventory and is paid a fee by the oil company for managing the gasoline operations. At January 3, 1980, the Registrant had 277 MAJIK MARKETS® operating in this manner.

The convenience food store industry is highly competitive in the United States, as the convenience store faces competition from other convenience stores and food retailers, including supermarkets. Sales at convenience stores where gasoline is sold can be adversely affected by a decrease in gasoline available for sale. Convenience stores compete by offering service and convenience, as well as quality. The stores are designed to serve the customer who needs a few selected items, and offer that shopper quick access and prompt check-out. The stores also offer extended hours of operation as an additional convenience. Prices on most convenience store items are higher than in supermarkets, but, on selected items, prices are comparable.

### Refrigerated Warehouse Division:

The Registrant operated 11 refrigerated warehouses in the states of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Virginia, and a dry warehouse in North Carolina, as of January 3, 1980.

The refrigerated units operate as public warehouses, storing perishable commodities and frozen foods at temperatures ranging from −10°F to 70°F. In addition, the Registrant provides a blast freezer in certain of its plants to freeze commodities at −40°F. Revenues are derived in two primary ways — commodities from the local area which are stored pending distribution to other areas, and items (mostly frozen foods) sent in from other areas pending distribution in the Southeast.

## Retail

The Company's Retail businesses consist of convenience store operations conducted through the Company's Li'l General Stores and Hot Sam Divisions. During 1979, the Company's tourism business was discontinued, as the National Park Service, United States Department of the Interior, terminated the concession contract under which the Company's wholly-owned subsidiary, Yellowstone Park Company, operated tourist facilities in Yellowstone National Park.

### Convenience Stores
### Li'l General Stores Division

The Company's Li'l General Stores Division, headquartered in Tampa, Florida, operates convenience stores, most of which are located in the Southern and Southeastern United States. Li'l General has 464 convenience stores in operation located in the following states:

| States | Number of Convenience Stores |
|---|---|
| Florida | 274 |
| Louisiana | 67 |
| North Carolina | 62 |
| Mississippi | 24 |
| Pennsylvania | 16 |
| Georgia | 14 |
| Alabama | 6 |
| Minnesota | 1 |
| | 464 |

Li'l General convenience stores are small, self-service markets primarily handling rapid turnover items. Principal food products sold include dairy products, soft drinks, bread and beer. In addition to foods, the stores sell cigarettes and various health and beauty aids and household items. Gasoline is sold at self-service pumps at 167 stores and 355 stores operate snack centers for fast food items. Li'l General Stores are generally located in dense residential areas along routes of homeward bound traffic. Locations are generally on major traffic arteries and are designed primarily to serve identifiable market areas. Generally, the stores serve the consuming public within one mile of the individual locations. Sales are self-service, in-store, cash transactions. The stores are in operation 365 days a year, and the majority of them now extend their hours beyond the traditional 7:00 a.m. to 11:00 p.m. operating times, with an increasing number open 24 hours a day. For the most part, the Li'l General Stores Division does no warehousing, but buys products for resale from others.

A total of five of the Li'l General Stores, located in Pennsylvania and Minnesota, are operated under franchises granted by the Company. Li'l General is the owner of primary lessee of the stores involved.

In addition to its convenience store business, Li'l General operates an ice plant, which sells approximately 65% of its product to outside customers, and also distributes milk and liquor to certain of its own stores.

The Company owns registered service marks for its Li'l General Stores design and name. Capital commitments are planned in 1980 for a change in store design, including a new logo.

Li'l General employs approximately 2,400 people.

The convenience store industry is highly competitive in all operating areas. In Florida and North Carolina, the Division directly competes with a number of major companies. Various supermarkets, small groceries and fast-food restaurants also compete with individual stores for sales of similar products.

The business of the Li'l General Stores Division is significantly affected by economic conditions in Florida. Also, control of inventory and cash shortages is an important aspect of the convenience store business.

As of December 29, 1979, Li'l General leased 85% of its 464 store locations; new store locations may be leased or purchased depending upon the Company's assessment of the relative advantages of each approach. Leases generally run for ten to twenty year terms, and most contain renewal options for five to ten years. Most leases are for fixed rentals, but in some leases the fixed rental is increased if gross sales in the particular store exceed a pre-established amount. The Company owns Li'l General's ice-making plant in Tampa, Florida, and leases most of its 187 vehicles.

In the aggregate, the buildings, fixtures and equipment of Li'l General, owned or leased, are in good condition. The average store facility is adequate and suitable for its purposes.

**Item 1. Business**

(a) All previous Form 10-K have been filed under the name of Convenient Industries of America, Inc. Effective November 5, 1979, CONNA Corporation became the parent corporation through a share for share exchange of Convenient Industries of America, Inc. common stock for common stock of CONNA Corporation. Convenient Industries remains as an active wholly owned subsidiary of CONNA Corporation. Registrant, CONNA Corporation has, since 1959 through its subsidiary and continues to be a licensee and area franchisor of Convenient Food Mart, Inc., Chicago, IL. CONNA's subsidiary is engaged in the business of franchising convenience retail food stores operating under the name of "Convenient Food Mart" in portions of 8 midwestern and southern states, 3 New England states and New York state. The subsidiary operates 17 Convenient Food Mart stores and has franchised 319 Convenient Food Mart stores.

The typical "Convenient Food Mart" is a modern day general store. Customers come in not only to purchase food and allied products, but to cash checks and buy such items as stamps, money orders, greeting cards, books, magazines, and self-service gasoline. The demand for speed in shopping is particularly catered to by Convenient Food Mart stores. A major part of the convenience stores volume is derived from the sale of soft drinks, beer, bakery products, dairy products and tobacco and other non-food items. During the year, remodeling was completed in most of the older stores. This remodeling also included in many stores, the addition of a soft ice cream machine, a deli operation, and a post mix self-service beverage fountain.

The subsidiary recommends that franchisees sell well known brands and limit selection to one or two brands of each item, in order to provide a wide product selection.

# To Our Shareholders

Net earnings increased 58.7 percent on a sales gain of 21.5 percent for the year ended April 30, 1980.

Over the last ten years, sales have compounded annually at a 22.3 percent rate with earnings per share expanding at the rate of 21.8 percent for the same period. Concurrently, dividends rose at a compounded rate of 21.9 percent.

Orderly development and strong growth over the past few years have produced these excellent results.

An aggressive program of adding gasoline pumps at our neighborhood convenience stores, while major oil companies were abandoning this segment of the gasoline business in favor of high-density traffic locations, has contributed to these record results.

Even without the addition of gasoline, we have continued to record impressive growth by the addition of new stores. Modernization of older units and, more importantly, the steady addition of fast-growing and convenient items such as money orders, snacks, fast foods, books and magazines, our own soft drinks, ice and general merchandise have brought sales growth with profitability.

Our decision to develop our distribution of non-food and general merchandise and establish fast food routes has proven very successful. This year, we began service to our southern California stores, delivering non-foods and general merchandise and will progress with these facilities as economics permit.

We are excited about the potential created by the completion of our liquor warehouse in Phoenix. We believe that the conversion of marginal or unprofitable convenience stores to discount liquor stores will prove to be most successful. The ability to take advantage of volume buying and inventory control through our warehouse will produce added sales and profits; and, at the same time, take non-productive stores and turn them into productive ones. A total of fifteen units in Phoenix and Tucson, Arizona, have been converted and more will be added this coming year.

Additions to our bottling plant are complete and afford us dual opportunities to increase our canning and bottling contracts and continue expansion and refinement of our sales and services to our stores and outside customers.

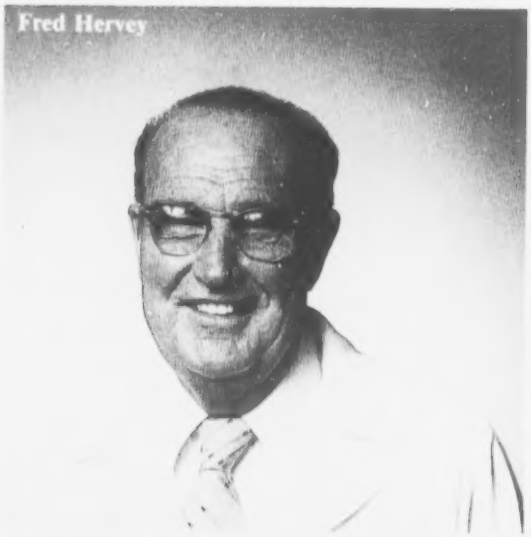
Our business success depends on people. During the year just completed, we have given high priority to development of people at all management levels. We have authorized personnel manager positions in each area and expanded new-hires' training. In addition, training programs have been established on a continuing basis to keep all employees well-informed and aid their progress within the company.

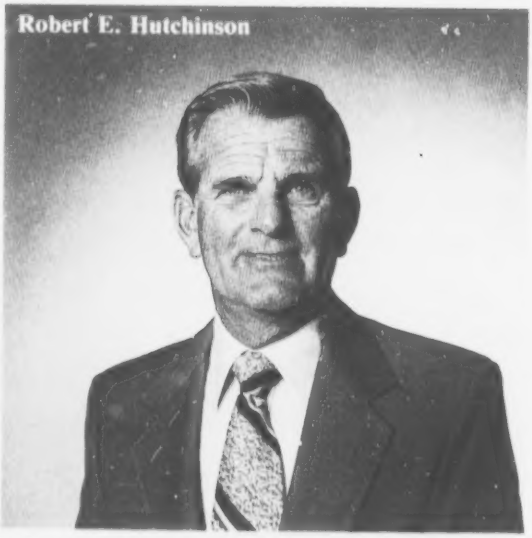
In the immediate future, we will continue to remove older, maintenance-prone equipment with new energy-efficient, attractive replacements. We will invest internally-generated funds in the installation of fast food centers in many of our stores. We will continue our program of store remodeling and upgrading gasoline equipment and add new units in prime locations in growth areas.

The future holds much promise.

We plan to upgrade the quality, productivity, physical presentation and image of our employees. We will upgrade our image in the eyes of customers, suppliers, the financial community and industry observers.

Your company set records in sales and earnings each year for the past five years in a very competitive industry and in an unpredictable social and political environment. Without the dedication of our employees, the loyalty of our shareholders and the enthusiastic response from our growing number of customers, the achievements contained in this report would not be possible.


Fred Hervey


Robert E. Hutchinson

We are confident that, with your continued support, the decade of the 80s will be as exciting and rewarding as the past.

Fred Hervey
Chairman of the Board

Robert E. Hutchinson
President

July 23, 1980

# Management's Discussion

Sales have increased each year from 262.4 million in 1976 to 533.1 million in fiscal 1980, a compound growth rate of 19.39 percent. At the same time, net earnings have increased from 4.8 million to 16.9 million, a compound growth rate of 36.98 percent. The upward trend continues and results from modernization of older stores, continued and growing demand for convenience store shopping, internal growth and addition of new units.

In fiscal year 1980, sales rose 94.5 million to 533.1 million compared to 438.6 million in 1979, up 22 percent. Successful merchandising and advertising programs, an increase in the sale of self-service gasoline and gains in average sales volume per store contributed to this increase. The Company opened 64 stores and closed 22 in fiscal 1980 as compared with opening 77 and closing 24 in 1979.

Gasoline sales were 151.9 million, a 40 percent increase over 1979 sales of 108.4 million, and 1979 sales gained 35 percent over 1978 sales of 80.1 million. These substantial increases resulted from competitive pricing policies and an increase in the number of outlets in operation. In fiscal 1980, 45 units were equipped with self-service gasoline dispensing equipment bringing the total at the end of the year to 726.

Cost of sales was 385.1 million in fiscal 1980 compared to 320.6 million in 1979 and 266.4 million in 1978. As a percentage of sales, cost of sales represented 72.24 in 1980, 73.10 in 1979, and 73.23 in 1978. The decline or increase in resulting gross profits is a direct result of the increase in gasoline sales, a high volume, fluctuating gross profit product.

Administrative and operating expenses increased in both 1980 and 1979 and were caused primarily by increased cost of labor and labor-related expenses, such as workmen's compensation insurance. Utilities, taxes and compliance with government regulations, coupled with rising inflation and expanded administrative services in support of the growing Distribution Centers, were responsible also for the increase in expenses.

Other income increased from 2.7 million in 1979 to 3.4 million in 1980. This increase is primarily attributed to aggressive cooperative promotional activity, increased income from money order sales, money management programs, and the sale of a large excess parcel of land.

Earnings before taxes increased to 31.7 million, up 61.73 percent over 1979's 19.6 million, which was up 32.43 percent from 1978's 14.8 million.

Federal and state income taxes for fiscal 1980 were 64.86 percent higher than 1979; 1979 taxes were 29.71 percent higher than 1978.

Net earnings in 1980 were 16.9 million compared to 10.7 million in 1979, a 57.94 percent increase. This followed a 35.44 percent increase in 1979 over 1978. These increases are a result of a strong sales base coupled with planned growth and more vertically integrated product lines.

Excerpt from the Annual Report of Shop & Go, Inc.,
April 3, 1980

# To Our Shareholders:

The responsibility of reporting to you the progress of your Company during fiscal 1980 is indeed a pleasure. Major areas of concern for Shop & Go at the beginning of fiscal 1980 were: remodeling of existing older stores, diminishment of long term debt obligations, strengthening of our management team and improving our site selection process.

During fiscal 1980, Shop & Go virtually completed its program of remodeling older stores with new roofing and exterior design and converting stores designed with center check-outs to the more security oriented end check-out design.

As a result of reorganizing our inventories, a decrease in the number of store openings, and improvements in cash management, your Company was able to reduce its long term debt during fiscal 1980, placing Shop & Go in a very satisfactory cash position for the future.

During the year, Shop & Go has attempted to strengthen its management function by way of the addition of a personnel department, and the reorganization of its merchandising and marketing department. Your Company has an experienced and talented management team which is aggressive and prepared for the future.

Your management team has dedicated itself during fiscal 1980 to increasing the quality of its site selection process, and this dedication has yielded significant results. The stores opened during fiscal 1980 are yielding revenues that far exceed the volume of those stores opened during the past years.

The cumulative effects of the efforts of the employees and management of your Company during fiscal 1980 yielded an increase in total revenues of 17.8% and net profit of 45% as compared to the revenues and net profit generated in the immediately preceding year.

As significant as the revenues and profits generated in 1980 have been, your management believes Shop & Go is prepared for the 80's as well as any firm in the industry.

**SHOP & GO, INC.**

Robert A. Jaeb
*Chairman of the Board/*
*Chief Executive Officer*

Lorena Jaeb
*Executive V.P./*
*Treasurer*

## Management Discussion And Analysis Of Summary Of Operations Fiscal 1980 As Compared to Fiscal 1979

Total revenues for fiscal 1980, as compared to fiscal 1979, increased 17.8%, primarily due to an increase in per store sales and rental commissions received for gasoline sales. The Company's revenues are derived principally from the sale of convenience store items and the commissions received from gasoline sales. Average per store sales for fiscal 1980 increased 12.7% over those achieved fiscal 1979. These percentages do not give effect to the impact of inflation, which cannot be measured accurately.

During fiscal 1980, 11 new locations were added, as compared to 27 in fiscal 79, and 9 were closed, as compared to 19 closings in fiscal 79. The Company operated 381 stores at the end of fiscal 1980 as compared to 379 at the close of fiscal 79.

Gasoline rental commissions increased 182.6% during fiscal 1980 when compared to fiscal year 1979, due to an increase in the average rental commissions per gallon, and to an increase in the number of gallons sold. The Company offered gasoline for sale at 225 locations at both April 3, 1980 and March 3, 1979.

Other income, which consists primarily of rental income from miscellaneous property located adjacent to stores, earned interest and non-recurring sales of fixed assets, increased primarily due to the Company's policy of placing available funds in interest-earning temporary cash investments.

During fiscal 1980, cost of goods sold increased at a rate approximately equal to the rate of increase in revenues, resulting in a gross profit percentage (net sales minus cost of goods sold as a percentage of sales) for fiscal 1980 equal to that achieved in fiscal 1979.

During fiscal 1980, total operating, general and administrative expenses and average per store operating, general and administrative increased primarily due to increases in payroll and utility costs, although such increase was at a lower rate than the increase in total revenues.

Depreciation and amortization expense increased in fiscal 1980 as compared to fiscal 1979 primarily as a result of additions of fixed assets.

Interest expense for fiscal 1980 was lower than that of fiscal 1979 due to a decrease in the amount of average borrowings outstanding during the year.

## Management Discussion And Analysis Of Summary Of Operations Fiscal 1979 As Compared to Fiscal 1978

Total revenues for the fiscal year 1979 as compared to fiscal 1978 increased 14.3%, primarily due to an increase in per store sales and, to a lesser extent, the addition of new locations. The Company's revenues are derived principally from the sales of convenience store items and rental commissions received for gasoline sales. Average per store sales for fiscal 1979 increased 6.3% over fiscal 1978. These percentages do not give effect to the impact of inflation, which cannot be computed accurately.

During fiscal 1979, 27 new locations were added, eight of which were acquired in the purchase of a small chain in central Florida, as compared to 38 new locations in fiscal 1978. A total of 19 locations were closed in fiscal 1979, 11 of which were closed in March 1979, representing a sale of all the Company's stores in Alabama and 2 stores in Northern Georgia, as compared to the closing of 9 locations in fiscal 1978.

Gasoline rental commissions increased 8.7% during fiscal 1979 as compared to fiscal 1978 due to an increase in the average per gallon commission. The Company offered gasoline for sale at 225 locations at both 3/29/79 and 3/30/78.

Other income, which consists primarily of rental income from miscellaneous property located adjacent to stores, earned interest and non-recurring sales of fixed assets increased primarily due to the Company's policy of placing available funds in interest-earning temporary cash investments.

During fiscal 1979, cost of goods sold increased at a rate less than the rate of increase in the Company's sales, primarily due to more efficient pricing policies. As a result, the gross profit percentage (net sales minus cost of goods sold as a percentage of net sales) for fiscal 1979 was higher than that achieved in fiscal 1978.

During fiscal 1979, total operating, general and administrative expenses and average per store operating, general and administrative expenses increased at a rate greater than the rate of increase in sales primarily due to increased payroll and insurance costs.

Depreciation and amortization expense increased in fiscal 1980 as compared to fiscal 1979 primarily as a result of additions of fixed assets, including leased property under capital assets.

Interest expense for fiscal 1979 was higher than that incurred in fiscal 1978 due to an increase of the average interest rate paid on borrowings and the effects of capitalization of certain leases in accord with FASB Statement #13.

On August 11, 1978 the Company acquired 150,000 shares of its common stock for the treasury, representing a 9% reduction in the aggregate number of shares outstanding at that date. As a result of the foregoing transaction, the weighted average number of shares of common stock outstanding which entered into the determination of earnings per share for fiscal 1979 decreased by 100,109 shares, or 6%.

# TO OUR SHAREHOLDERS

ational Convenience Stores Incorporated began the 1980s with the greatest year in its history and the fifth straight year in which revenues and earnings exceeded those of the previous year.

Earnings improved 34 percent to $8,050,000, or $2.01 a common share, on revenues which were up 36 percent to $434,430,000 for the year ended June 30, 1980. In our previous record year, 1979, revenues were $320,363,000 and net earnings were $6,005,000, or $1.50 a common share.

Average sales per store increased 23 percent to $533,000 from the $434,000 per store reported last year. Net earnings per store increased 21 percent to $9,877, compared with $8,137 for the year ended June 30, 1979.

Return on beginning stockholders' equity increased from 28.2 percent in 1979 to 30.9 percent in 1980. Dividend payouts for the year moved to $2,793,000 from $1,382,000 in 1979. The Company's annual dividend rate is 60 cents a share, consistent with its policy of paying 25 to 30 percent of net earnings in dividends.

These improvements in sales, earnings, and dividend payments were largely a result of more stores in operation for the full year, higher average sales per store, and significant improvements in gasoline margins and profits. During the fourth quarter gasoline volume improved as a result of increased supply and lower retail prices, however margins declined. The Company's gasoline supply arrangements are excellent and, we believe, will remain so. However, we are working constantly to strengthen our relationships with suppliers and to add new gasoline sources where prudent.

The Company opened 39 stores and closed 28 to increase stores in operation at year end to 817 from the 806 in operation at June 30, 1979.

Our second Superstore was opened in Austin, Texas, and has shown excellent growth in the succeeding months. Sales and profits of Superstore I in Houston are expanding steadily.

The long awaited recession, which affected some industries and regions severely, had little discernible impact on NCS' results in fiscal 1980. It did affect our ability to improve our capital structure. A proposed equity offering of 500,000 common shares was withdrawn last spring due to poor market conditions. Proceeds from the offering would have reduced interest expense as they would have been used to retire about $7 million of bank debt. The withdrawal did not affect our capital spending plans for 1980 which were financed largely from internally generated cash flow.

Sound fiscal planning dictates that as soon as the market for retail equity/debt offerings improves, we should take steps to strengthen our balance sheet. Our Fiscal 1981 capital expenditures are not contingent upon such action, however.

uring the year the Company's Senior Management team was strengthened with the addition of two outstanding executives. During the second quarter, A. J. Gallerano joined NCS as Vice President – General Counsel and Secretary. Mr. Gallerano was formerly with a major department store chain. During the third quarter, Jerry R. Welch, formerly with Touche Ross & Co., Houston, joined the Company and was elected Vice President – Accounting and Systems.

The Company negotiated a new and improved credit line with First City National Bank of Houston. The arrangement increases the line to $15.7 million with interest at the prime rate and eliminates certain restrictive covenants, including limitations on cash dividend payments.

The Company has a commitment through Fiscal 1981 for $5 million in long-term mortgage financing of real estate at an interest rate of 10¾ percent. This commitment will be used for some of the 40 new stores to be completed during the year, including four to six Superstores.

Inventory and fixtures for new stores will require $6 million of the $16 million in capital expenditures planned for 1981. The capital expenditures will be financed internally and exclude real estate investments which we will continue to finance through mortgages. About $4 million will be spent to remodel existing stores, install fountain beverage centers and expand commissary operations to provide quality fast foods to more stores. Another $3 million will be spent for new gasoline equipment.

CS spent $1.5 million on advertising and in-store promotions in 1980 and plans to spend about $2 million in 1981. Advertising plays an increasingly important role in our responsive marketing efforts. Soon personnel in stores with fast food centers will have bright new uniforms designed to complement our "Hot Stop" program. We believe this will further increase our credibility as a fast food marketer.

Five years ago we developed a new philosophy to help guide ourselves. That philosophy stressed the central fact that we are in business to create customers and, by so doing, increase profitability. Our philosophy focuses on the quality of individual stores, market areas, earnings and people rather than their quantity. It recognizes our resources are limited and must be deployed carefully to maximize returns. Our philosophy is dedicated to creating an environment in which NCS people feel good about themselves, their relationships, their contributions and their future growth.

It is within that philosophical framework that our record results over the past five years can best be viewed. Net earnings in Fiscal 1975 were $733,000 compared with $8,050,000 for Fiscal 1980—a compounded annual growth rate of 61 percent. The comparison for earnings per share is similar, reflecting a 60 percent annual increase compounded. Return on beginning stockholders' equity increased from 5.5 percent in 1975 to 30.9 percent in 1980. Average sales per store increased from $239,000 to $533,000 or 17 percent per year compounded for the five-year period, while net earnings per store increased at the annual rate of 62 percent compounded—moving from $893 per store to $9,877 in 1980. Dividend payments on common stock were not initiated until Fiscal 1977 and amounted to $552,000 compared to $2,793,000 for Fiscal 1980.

*V. H. Van Horn*

Another view of our performance can be found in "The Forbes 32nd Annual Report on American Industry" issued in January of this year. The report ranks performance of 1,035 companies with sales of at least $300 million in the area of profitability (return on stockholders' equity and total capital), growth in earnings per share and sales, and stock market performance. Out of 1,035 of the largest companies in the United States, NCS ranked #214 in profitability, #137 in growth, and #52 in stock market performance.

Our philosophy, our responsive marketing program and our decision to emphasize fast foods, nonfoods and gasoline worked well in the 70s. Now we look forward to the 80s. The remainder of this report outlines the problems and the opportunities of the 80s. We think the opportunities considerably outweigh the problems and eagerly look forward to the future.

In the 80s there will be companies that follow industry trends and others that lead the way. We intend to see that National Convenience Stores sets the pace in the 80s.

Sincerely,

V. H. Van Horn
President and Chief Executive Officer

September 18, 1980

## MANAGEMENT'S REVIEW AND ANALYSIS

The following table indicates the percentage which items in the Five-Year Financial Summary bear to sales and their percentage increase over the prior year.

| | Percentage of Sales | | | Year to Year Percentage Increase | |
|---|---|---|---|---|---|
| | Year Ended June 30, | | | Year Ended June 30, | |
| | 1980 | 1979 | 1978 | 1980 vs. 1979 | 1979 vs. 1978 |
| Sales | 100.0% | 100.0% | 100.0% | 36% | 22 % |
| Cost of sales | 72.6 | 72.0 | 71.9 | 37 | 22 |
| Gross profit | 27.4 | 28.0 | 28.1 | 32 | 21 |
| Operating expenses | 18.0 | 18.6 | 18.9 | 31 | 20 |
| Administrative and general expenses | 5.1 | 5.3 | 5.0 | 30 | 28 |
| Interest | 1.2 | 1.1 | 1.1 | 53 | 17 |
| Earnings before taxes on income | 3.1 | 3.0 | 3.1 | 36 | 19 |
| Taxes on income | 1.2 | 1.1 | 1.3 | 39 | 12 |
| Net earnings | 1.9% | 1.9% | 1.8% | 34% | 24 % |

The increases in sales are due to higher average sales per store and more stores in operation. Approximately $7,000,000 of 1979 sales were contributed in May and June by companies acquired in May 1979. Merchandise sales increased to $306,929,000 in 1980 from $247,781,000 in 1979 and $214,644,000 in 1978, while gasoline sales increased to $127,501,000 from $72,582,000 and $49,061,000 for the same periods. The increase in gasoline sales from 1979 to 1980 was due to a 36% increase in volumes and a 40% increase in prices, while the increase from 1978 to 1979 was due to 26% and 22% increases in volumes and prices, respectively.

The gross profit percentage decreased between periods although both merchandise and gasoline margins increased. Gasoline sales, which carry a lower margin, represented a high proportion of sales in each period and caused the overall decrease in the gross profit percentage. The merchandise margin increases were attributable to continuing emphasis on higher margin fast food and nonfood products while maintaining competitive prices for price sensitive, high volume products. The increase in gasoline margin from 1978 to 1979 resulted from reduced competitive pressure on gasoline prices after shortages developed in late fiscal 1979. Although gasoline margins began to decline in the second half of fiscal 1980, the average margin for the year was still higher than 1979. The average gasoline margin was 9 cents per gallon in 1980, 6 cents per gallon in 1979 and 4 cents per gallon in 1978.

The increases in operating and administrative and general expenses are primarily due to increases in labor costs, inventory losses and utility, insurance and rent expenses.

Interest expense increased due to higher bank interest rates and additional borrowings related to real estate financing and the acquisition in May 1979.

The effective income tax rates which were 39.5% in 1980, 38.6% in 1979 and 41.1% in 1978 were lower than the Federal statutory rates primarily due to investment tax credits from capital expenditures for store and gasoline equipment.

The number of stores in operation at year end were 817 in 1980, 806 in 1979 and 725 in 1978. Average sales per store increased to $533,000 in 1980 from $434,000 in 1979 and $366,000 in 1978, while average net earnings per store increased to $9,877 from $8,137 and $6,724 for the same periods.

# To Our Shareholders:

Although Lil' Champ results have been excellent for the past several years, we are particularly pleased with those of fiscal 1980. Not only did your company again set new records in both sales and earnings, but a 25 percent increase in earnings per share on a 22 percent rise in sales set new records in rate of growth for both figures.

Net income and earnings per share increased to $1,172,958, or $1.67 per share, from the $945,170, or $1.34 per share, of the previous fiscal year. Net sales rose to $30,446,909 from $24,955,896. Earnings per share for both fiscal years have been adjusted to reflect the 5% stock dividends which were paid in December 1978 and December 1979.

These results can be attributed both to the fact that the economies of the areas of Florida we serve have held up well despite the onset of recession and to management policies dedicated to maintaining Lil' Champ's superior profitability regardless of unfavorable national economic conditions and constantly inflating costs for labor, utilities and services.

Other highlights of the year just past:

—After a period of several years in which we have de-emphasized sales growth in favor of maintaining strong profitability, fiscal 1980 sales volume showed the kind of strong gain which reflects improved market penetration.

—Our record earnings increase was achieved despite the dilutive effect of the 5% stock dividend paid in December 1979 and of a change in our method of accounting for inventories from the estimated-cost retail method to the last-in, first-out (LIFO) retail method. The latter move, which more closely matches current costs with current revenues, will reduce the company's federal income-tax liabilities over the long term. However, in fiscal 1980 it had the effect of reducing net income by $123,143, or 17 cents per share.

—For the sixth consecutive year, Lil' Champ was ranked No. 1 in after-tax profit as a percent of sales by the Dollars Per Day Survey of the Convenience Store Industry. Our percentage was 3.79 in the 1980 survey, which covered our fiscal 1979 year, and our first-place ranking gave Lil' Champ the distinction of having led the industry in this figure in every full year since the founding of the company. I am pleased to report that in the fiscal year just past net profit as a percent of sales rose to 3.85.

—Our total number of units in operation at the close of the year was 138, representing an increase of eight stores from the 130 in operation at the end of fiscal 1979.

Our emphasis continues to rest on strict cost controls, quality growth and alertness and flexibility on the part of management. With the costs of doing business constantly increasing due to government-induced inflation and increasing governmental regulation, tough-mindedness in operations remains at a premium.

Quality growth calls for continuing improvements in operational efficiency combined with a sound and steady increase in the number of stores we operate. In turn, high and ever-increasing construction costs and high interest rates make a high degree of selectivity in store locations a must.

The Lil' Champ concept of quality locations, quality stores, quality merchandise and quality personnel has thoroughly proven itself over the years since the founding of the company. We expect to maintain that concept.

Julian E. Jackson
President and Chairman

Excerpt from the Annual Report of
Lil' Champ, May 3, 1980

# Management's Discussion and Analysis Of Summary of Operations

### Our Business

Lil' Champ Food Stores, Inc. is an operator of convenience retail drive-in stores which has grown since inception in July 1971 from 6 units to 138 units at the end of the most recent fiscal year on May 3, 1980. There are two package liquor outlets included in that total. All stores are located in Northeast and Central Florida and sell principally groceries, dairy products, health and beauty aids, beer and wine, soft drinks, snack foods, tobacco products and paperback books and magazines. Thirty-two units are equipped for the sale of gasoline, of which one unit is company-owned. It is planned to expand both company-owned and agency gasoline operations.

For the year ended May 3, 1980, the Company adopted the LIFO method of valuing all merchandise inventory except gasoline. This latter product continues to be valued on the FIFO basis. This accounting change reduced our net reportable income by $123,143, or 17 cents per share. Nevertheless, the Company reported a 24% increase in net income after taxes.

### 1980 vs 1979

### Total Revenues

Total revenues increased 23% to $31,171,194. This gain is made up of a 22% increase in sales and a 60% increase in other income. Gasoline commissions, which increased 280%, represented 38% of other income. However, as gasoline prices appear to have reached a semblance of stabilization, it is doubtful that such increases will be sustained. Pinball commissions, which increased 7%, represented 16% of other income.

### Cost of Sales, Operating Expense

The cost of goods sold rose 23%, of which the adoption of LIFO represented 1%. Operating expenses increased 21% and appear to be adequately controlled, taking into consideration the facts that follow. On January 1, 1980, the minimum wage rate increased to $3.10 per hour from $2.90 per hour. We opened eight additional units during the year. The escalating costs of Workers' Compensation Insurance continue to be of concern. However, it is anticipated that the new Workers' Compensation Act, which went into effect during 1979, will tend to correct the abuses encountered under the old act and will have a favorable impact on our future costs. The 12% decrease in interest expense was due to a reduction in long-term debt as well as the fact that no additional leases were capitalized.

### Income Taxes

Income taxes rose 34%, whereas income before taxes rose 29%. The effective rate for the fiscal year 1980 was 46.6%, compared with 44.6% for the previous fiscal year. The new-jobs credit which helped reduce 1979 income taxes was not available in 1980.

### Dividends

During the fiscal year 1980 the Board of Directors declared cash dividends totaling 32¢ per share. The Board of Directors also declared a 5% stock dividend which was distributed in December 1979.

### 1979 vs 1978

### Total Revenues

Total revenues increased 10% to $25,408,608. This gain was made up of a 10% rise in sales and a 62% increase in other income. Gasoline commissions, which increased 24%, represented 16% of other income. Commissions from the operation of pinball machines, which was begun in the last quarter of 1978, represented 24% of other income.

### Cost of Sales, Operating Expense

The cost of goods sold rose 8 percent, whereas operating expense rose 15 percent. Operating expense was adversely affected by the increase in the minimum wage rate on January 1, 1979 to $2.90 per hour from $2.65 per hour. There were compensating increases in Social Security Tax, Unemployment Compensation Tax and Workers' Compensation Insurance costs. The increase of 9% in interest expense was primarily due to the requirement of capitalizing two additional leases during the current fiscal year.

### Income Taxes

Income taxes rose 25%, whereas income before taxes rose 24%. The effective rate for the fiscal year 1979 was 44.6%, compared to 44.4% for the previous fiscal year.

### Dividends

During the fiscal year 1979 the Board of Directors declared cash dividends totaling 24¢ per share. The Board of Directors also declared a 5% stock dividend which was distributed in December 1978.

# REPORT TO STOCKHOLDERS

Excerpt from the Annual Report of Dillon Companies, Inc. June 28, 1980

Dillon Companies' sales for fiscal 1980 increased 16% over last year to a record $2,077,264,598. We were satisfied with these results because they were achieved despite increased competition in all of our operating areas.

Profits for the year were $27,396,782 or $1.70 per share compared to $33,586,040 or $2.08 per share the year before. This decline resulted from rising merchandise costs that were not fully reflected in higher retail prices. Our policy of lowering gross margins where necessary to meet competitive prices protected our market share and preserved our customer base.

The balance sheet on pages 6 and 7 reflects the Company's strong financial condition. Net worth is now $162,849,889 and long-term debt, consisting mainly of real estate mortgages, is $41,206,759.

**SUPERMARKET DIVISIONS**

Combined retail sales of our supermarket divisions increased $250 million, or 15% over the previous year. This year's net profit was $19 million or 1.0% of sales compared to last year's supermarket earnings of $26 million or 1.6% of sales. These results, achieved during a period of increased competition and rapid inflation in merchandise costs, indicate our determination to maintain the market share which is necessary to keep our Company strong.

The supermarket expansion program continued, with 16 stores being opened last year. Virtually all of these were combination food and drug units of approximately 45,000 sq. ft. Several existing stores were remodeled or enlarged. During the coming year we plan to add fifteen 40,000 to 47,000 sq. ft. combination stores.

The past year has seen increased inflationary effects on operating expenses and merchandise costs. In an attempt to offer our customers an opportunity to combat inflation in their food budget, we have added several hundred generic items to our selection of merchandise.

**CONVENIENCE STORE DIVISIONS**

Our convenience stores completed their most successful year with a 24% increase in sales and net earnings of over $3 million, representing a 21% increase over 1979. At the end of last year there were 324 convenience stores in operation of which approximately 200 offered self-service gasoline. Gasoline sales had a significantly favorable impact on both overall volume and profits.

The "fast food" segment of the convenience store business provides unusual opportunities for the future. All of our convenience store divisions are placing added emphasis on the merchandising of sandwiches, cold drinks, and snack items.

**DILLON REAL ESTATE**

Capital expenditures in Dillon Real Estate Company increased dramatically during the past year. Ownership of land and buildings is expected to be a profitable long-term investment, especially during periods of inflation. In addition, recent changes in accounting principles have made it more favorable for Dillon Companies to develop and retain ownership of our supermarkets rather than selling the property and retaining a long-term lease. The policy of retaining ownership increased real estate mortgages by $17,261,582, which provided the funds needed for our new projects. Dillon Real Estate currently owns approximately $11 million worth of vacant property which will be used for future development of supermarkets, warehouses, shopping centers, and convenience stores. We feel that future values of real estate owned by the Dillon Real Estate Company will have a significant impact on the value of Dillon Companies.

**OVERVIEW**

Last year was our second year under the LIFO method of inventory valuation. The LIFO inventory reserve is now $12,280,800. Although LIFO reduces reported earnings, it lowers taxes and enables the firm to keep more cash to fund the reinvestment for future growth.

Dillon Companies, Inc. is fortunate to operate in geographic areas that are experiencing rapid growth. Phoenix, Arizona and Northern California are expanding because of the general population shift toward the Sunbelt. Denver continues among the fastest growing metropolitan areas in the country. Western Colorado, Utah, and Wyoming are developing rapidly because of the dramatic increase in energy related activities. These expanding markets provide a favorable environment for the future of the Dillon Companies.

# REPORT TO STOCKHOLDERS

**KING SOOPERS** operates 53 supermarkets, 40 of which are combination food and drug stores. All are located on the Eastern Slope in Colorado. During the past year three new stores were opened, two were remodeled, and a 100,000 sq. ft. addition to the grocery warehouse was completed. Plans for the coming year call for three new stores and major remodeling for two existing stores. Newly constructed stores generally average 46,000 sq. ft. with larger facilities at selected locations.

**DILLON STORES** operates 57 supermarkets in Kansas. Two new stores were opened during the past fiscal year; four were remodeled and enlarged. In addition, one supermarket was converted to a Sak 'n Sav warehouse store as a means of testing a new approach to retail food merchandising. Next year three new supermarkets will be constructed and three others will be enlarged and remodeled.

**FRY'S FOOD STORES** operates 29 supermarkets in Arizona. Last year three stores were opened in Tucson and two in Phoenix. All five were 45,000 sq. ft. combination food and drug units. Expansion plans call for three new stores to be opened during fiscal year 1981.

**FRY'S FOOD STORES** operates 25 supermarkets in Northern California. These include five combination food and drug units of the 40,000 sq. ft. size. Two new stores were built last year and two additional stores will be opened next year.

**CITY MARKET** operates 25 supermarkets in Western Colorado, Utah, and Wyoming. During the past year three new stores were constructed, a new 40,000 sq. ft. frozen food warehouse was opened, and an 80,000 sq. ft. addition was made to the existing grocery warehouse. Two new stores will be opened in Colorado and one in Utah during the next year. These will be 40,000 sq. ft. units that contain a delicatessen, pharmacy, complete in-store bakery and general merchandise. Two major additions and remodelings to existing stores are also scheduled.

**DILLON SPRINGFIELD** operates 23 supermarkets in Missouri, Arkansas, and Oklahoma. One 45,000 sq. ft. supermarket in Joplin, Missouri was opened last year and four were converted to warehouse type stores. The warehouse located in Springfield, Missouri was closed during the year.

**KWIK SHOP, INC.** operates 122 convenience stores in Kansas, Nebraska and Iowa. Eighteen new stores, all with self-service gasoline pumps, were added during the past year. This brings to 90 the number of Kwik Shops that have self-service gasoline facilities. Nine stores are currently under construction with 11 more planned for next year.

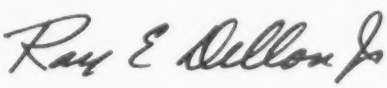
**QUIK STOP MARKETS, INC.** operates 86 franchise convenience stores in California. Three new stores were opened last year and eight are planned next year.

**TIME SAVER STORES, INC.** operates 116 convenience stores in Louisiana. Seventeen new stores were opened last year with an additional 15 stores to be constructed next year. A 50 ton per day ice plant was opened in July and a 50,000 sq. ft. warehouse is scheduled to open this fall.

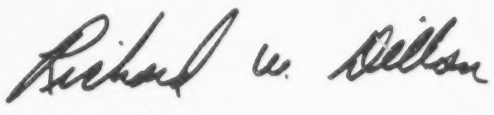
**JACKSON ICE CREAM COMPANY** operates production plants in Hutchinson, Kansas and Denver, Colorado. Last year's production exceeded 7.5 million gallons of ice cream and 6 million dozen novelties for a new high in production.

**D. G. CALHOUN** operates 17 junior department stores in Kansas. Two stores are scheduled to open early this fall, one in Emporia, Kansas, and a second in Pratt, Kansas. Two stores were closed during the past year to allow the adjacent Dillon supermarkets to expand operations.

**DILLON REAL ESTATE CO.** owns store buildings, shopping centers, and vacant ground held for future development. Plans call for the Company to retain ownership in more of our development projects.



Ray E. Dillon, Jr.
*Chairman of the Board*



Richard W. Dillon
*President*

# MANAGEMENT'S ANALYSIS OF OPERATIONS

**1980 Compared with 1979**

Sales for the 52 week fiscal year ending June 28, 1980 were $2,077,264,598, which represents a 15.9% increase over the 52 week preceding year. Additional sales were the result of increased merchandising in existing stores, addition of 16 new supermarkets and inflation.

The cost of sales as a percent of sales increased to 78.6% compared to 77.7% for fiscal 1979. This gross profit decline was caused by stronger competitive conditions in the supermarkets and our determination to maintain sales momentum.

Depreciation increased to $22,302,553 in 1980 compared to $18,644,602 in 1979. This increase was due to increased expenditures for building and equipment.

Operating and administrative expenses as a percent of sales were 18.2% compared to 18.0% a year ago.

Interest expense increased from $925,669 to $2,504,492, mainly due to higher interest rates and increased borrowing for new construction.

The 1980 provision for income tax was 37.3%. This is less than the statutory rate and less than the 1979 figure of 42.5%, because of capital gains from the real estate and investment subsidiary and larger investment credit (4.2 million in 1980, and 3.3 million in 1979).

Net after tax earnings decreased 18.4% in 1980 over 1979, mainly due to stronger competitive conditions in all supermarket divisions, rising costs of merchandise which we did not pass on in higher prices in order to maintain our sales momentum, and cost increases caused by inflation.

**1979 Compared with 1978**

Sales for the fiscal year ending June 30, 1979 were $1,792,216,907, compared to $1,465,277,046 for the fiscal year ending July 1, 1978 — a 22.3% increase. Additional sales were the result of 11 new stores opening and 7 older stores closing, additional sales in the existing stores and inflation.

The cost of sales was 77.7% versus 78.0% for the preceding year.

Depreciation in 1979 was $18,644,602 compared to $14,949,094 — an increase of $3,695,508. The increase was caused by expanded expenditures in building and equipment in 1979.

Operating and administrative expenses were 18.0% compared to 17.8% a year ago.

Interest expense increased from $608,119 to $925,669 due to higher interest rates for borrowed money.

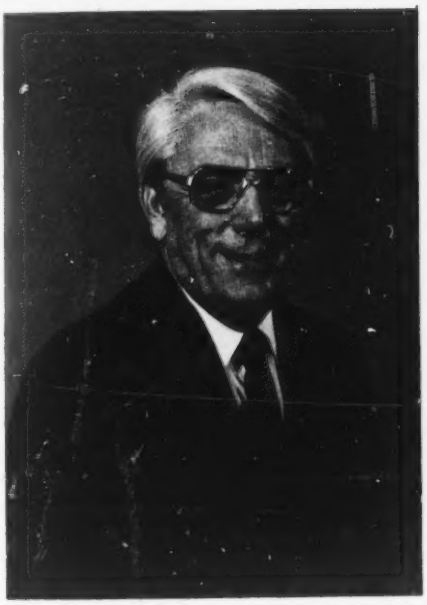
Federal income tax rate for 1979 was 42.5% compared to 44.5% for 1978. This lower rate was caused by the capital gains of the real estate and investment subsidiary and the larger investment tax credit (3.3 million for 1979, 2.2 million for 1978) generated by purchase of new store equipment and of new equipment in remodeled stores.

Net after tax earnings reached a record high of $33,586,040 — a 21.0% increase over fiscal 1978.

During the past three years no extraordinary items or significant non-recurring items took place other than the change to LIFO during 1979.

This analysis of Company operations should be considered in conjunction with the consolidated statement of earnings on page 8 and the 10 year summary on pages 4 and 5.

## To Our Shareholders



*Harlin D. Peden*

*Joe P. Peden*

Fiscal year 1980 was a year of

records

milestones

and investment in the future.

It was our seventh consecutive year of record sales and record earnings. It marked the 20th anniversary of the opening of the first Convenient Food Mart store in Louisville, Kentucky.

Our investment in the future came in several areas. We commissioned a study of management information systems for future use by CONNA Corporation. We completed, with the assistance of consultants, a thorough job description and personnel needs project. An elaborate site selection study was performed for our entry into the Indianapolis market. We also strengthened certain management areas to move further from an entrepreneurial enterprise into management methods better suited to our present and projected size.

In addition to our 20th anniversary, other milestones were reached in financial performance. For the first time, total sales topped $300 million, operating revenues exceeded $100 million and net earnings surpassed $2 million.

These accomplishments represent more than an inflationary push. It was just two years ago that net earnings passed $1 million and only four years ago that net sales moved above $100 million.

**A financial summary.** For the fiscal year, net sales of the company, its consolidated subsidiaries and its franchisees were $303.5 million, an increase of 32 percent above fiscal year 1979. Operating revenues increased 58 percent, reaching $139.6 million. Net earnings were $2.5 million, or $2.76 per share, an increase of 65 percent.

The earnings improvement was accomplished despite a decline in gasoline gross profit margins. Lower margins were present throughout the year and were particularly severe during the fourth quarter. For the year, the gasoline profit margin was 5.72 percent. This compares to margins in the eight and nine percent range less than six years ago.

Our investment in personnel to continue smooth growth included the addition of an internal auditor and a strategic planning coordinator. Gasoline marketing and administration recruited additional personnel. Store operations and merchandising were revamped and expanded.

**International operations.** Last year, we reported to you that we were seeking to market the operating and management skills we have perfected during our two decades as pioneers in convenience store operation. We are proud to report that we are serving as convenience store consultants to The British Petroleum Company of Australia Limited.

BP has established a unit called Food Plus Stores that will be responsible for its convenience store project. Under our agreement with BP, we should be performing these consulting services for several years.

Despite several accomplishments, there was an area of disappointment. We opened 28 Convenient Food Mart stores during the year and closed eight, for a net gain of 20. That was half our projected growth. Like many other companies, we were restricted by soaring interest rates and available money for store financing.

However, there are reasons for optimism. One is the dramatic reduction of interest rates. Another is the assignment of a senior CONNA official to concentrate on selling store real estate packages to investors. We lease the real estate properties from these investors and then sublease the properties to our store owner-operators. Still another bright spot is the fact that we have adequate store sites selected and enough qualified potential owner-operators to continue to grow at our desired pace.

**Acquisitions being made.** While interest rates hobbled us in construction, we continued to grow by acquisition. During the first quarter of fiscal year 1981, we acquired 48 Handy Stop Food Shops, located in and around Westchester County, N.Y., and Connecticut.

As we grow, we continue to consider increased dividends to shareholders. During fiscal year 1980, shareholders received a 50 percent stock dividend. Cash dividends of 37 cents per share were paid, representing a 32 percent increase compared to fiscal year 1979.

In this time of recession, we are concerned enough about the future to keep us from being complacent. Yet we are confident enough of our collective strengths to avoid an ultra-cautious position that would stifle continued growth.

Challenges confront us. There is the challenge to compete aggressively as conservation by the motoring public forces gasoline profit margins down. We must continue to seek out investors to finance store construction. And we must further stimulate sales in individual stores while rigidly enforcing operating economies across the board. There will be substantial start-up costs as we begin to operate the stores we acquired.

However, our talented employees and store owner-operators are determined to meet these needs as we work to achieve our eighth consecutive record year.

Sincerely,

Harlin D. Peden

**Harlin D. Peden**
Chairman of the Board

Joe P. Peden

**Joe P. Peden**
President

August 6, 1980

## Five Year Consolidated Summary of Earnings

(In thousands, except per share data)

| | Year (52-53 Weeks) Ended In May | | | | |
|---|---|---|---|---|---|
| | 1980 | 1979 | 1978 | 1977 | 1976 |
| Operating revenues | $139,633 | $88,613 | $63,622 | $54,271 | $48,459 |
| Costs and expenses, excluding interest and income taxes | 134,336 | 85,006 | 60,881 | 52,085 | 46,316 |
| Interest | 546 | 810 | 728 | 544 | 561 |
| Income taxes | 2,234 | 1,274 | 866 | 746 | 725 |
| Net earnings | $ 2,517 | $ 1,523 | $ 1,147 | $ 896 | $ 857 |

## Management's Discussion and Analysis of the Consolidated Summary of Operations

Despite extremely unusual economic conditions, fiscal year 1980 established the seventh year of record sales and earnings for the company. Inflation rose to record levels. The prime interest borrowing rate reached an unprecedented level of 20 percent per annum. The federal government's policy of credit restraints and other factors resulted in a sharp and dramatic decline in economic conditions, forcing the economy into a recession. Also during the year, petroleum supplies changed from the position of severe shortage to an excess supply position.

In spite of these dramatic changes, the company's earnings increased 62 percent to $2.76 per share, as compared with $1.70. These earnings resulted in a 30 percent increase in shareholders' equity, which reached the record level of $9.5 million. Along with these increases, dividends paid per share increased 32 percent to 37 cents per share.

For the first time in the company's history, net sales of the company, its consolidated subsidiaries, and its franchisees exceeded $300 million, reaching $303.5 million. This represents an overall increase of 32 percent. Sales in Convenient Food Mart stores accounted for 60 percent of total sales, self-service gasoline sales represented 36 percent and the sales in our dairy distribution subsidiary accounted for 4 percent.

During the year, the company added 28 new Convenient Food Mart stores, and closed eight unprofitable stores, for a net gain of 20.

This was approximately 50 percent of the desired number of stores that were programmed. High interest rates made long term mortgage financing uneconomical. In many situations, investment funds were simply not available. This resulted in the company utilizing $2.3 million of cash to fund and maintain the necessary real estate construction program. A total of 336 stores were operating at year-end, representing 319 franchised stores and 17 company owned. This ratio is in keeping with the present company policy of owning less than 10 percent of the total operating stores.

Self-service gasoline sales, through our Remote Services Inc. subsidiary, increased to 36 percent of total sales, from 27 percent. Primary causes for this increase were the substantial increase in the sale price of petroleum products throughout the year, together with the net gain of 30 new self-service outlets which opened during the fiscal year. Due to both the increased volume of products sold and the increase in selling price, self-service gasoline dollar sales increased 76 percent over the previous year.

Sales in the dairy distribution subsidiary increased 11 percent from the previous year. But profits decreased because of continuing increases in operating costs and competitive selling pressures throughout the industry. The sales increase came almost entirely from the dairy's wholesale division.

Operating revenues of the company reached $140 million, an increase of 58 percent from last year. Retail self-service gasoline sales accounted for 77 percent of total revenues compared with 69 percent the previous year.

Continuing franchise fees, which are based upon the franchised stores' gross sales, reached $7.2 million, 14 percent above the previous year, and accounted for five percent of operating revenues. This increase is due to increased average sales per location and an increase in the number of stores in operation. Average sales of Convenient Food Mart stores (excluding gasoline sales) increased to $545,000. This is substantially above the average store sales for the convenience industry.

Company owned stores and other income accounted for eight percent of operating revenues, compared to 10 percent last year. The number of company owned stores declined from 20 to 17. Dairy distribution operations furnished 10 percent of operating revenues, three percent less than last year.

Earnings before income taxes increased 70 percent, to a record $4.8 million. Self-service gasoline profits accounted for 63 percent of pre-tax earnings. This compares with 36 percent the previous year. This large increase was due to the substantial profits generated in the first and second quarters when petroleum products were scarce. In this period, Remote received near the maximum profit margins allowed under the existing federal regulations. During the last two quarters of the fiscal year, marked declines in gasoline profit margins were experienced. This was caused by a surplus of petroleum product, which resulted in increased competitive selling pressures. This condition is expected to continue through the first two quarters of fiscal year 1981.

Income taxes for the current year increased 75 percent, due primarily to increased earnings. These taxes now account for 47 percent of pre-tax income, increasing from 46 percent. The company's book value per share increased 29 percent to $10.40, another record.

Throughout the year the company maintained a strong financial position with excess funds being invested in short-term money market instruments. Because of its liquid position, it was not necessary for the company to go into the money market for working capital requirements during a period of high interest costs.

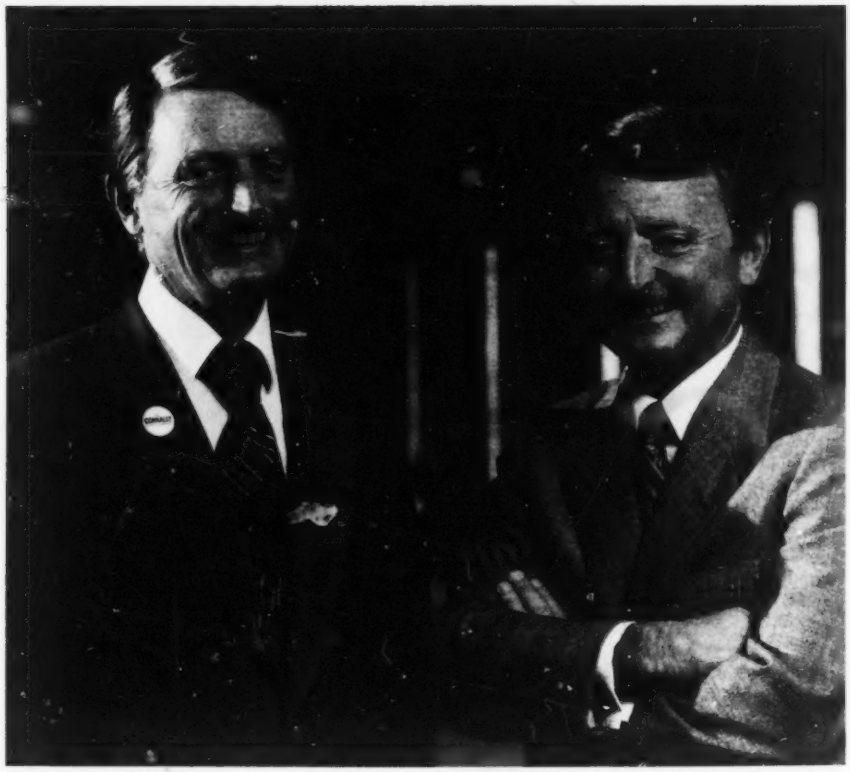
The company's working capital position increased 60 percent, to $8.65 million. The current asset ratio at 1.72 to 1 is the highest ratio in the last seven years. The cash position remains strong.

Cash and short term investments of $2.9 million represent an increase from $2.7 million the previous year. This level of liquidity was maintained after the payment of dividends of $341,000, capital investments to enhance future growth of $1.6 million, $2.3 million invested in real estate and gasoline outlet construction, and the increase of $1.9 million in inventory values.

Fiscal year 1980 showed the results of previous planning and the implementation of those plans. It also demonstrated that the company is in the financial position to continue its goal of continued expansion in its existing operating areas and the acquisition of existing businesses whose operations will blend with present operating profits.

The company looks forward eagerly to fiscal year 1981, fully realizing that the profitability of the gasoline subsidiary will be directly influenced by world petroleum conditions. However, Convenient Food Mart operations are expected to continue their growth improvement pattern of many years standing.

Excerpt from the Annual Report
of the Southland Corporation,
December 31, 1979



Jere W. Thompson

John P. Thompson

## TO OUR SHAREHOLDERS:

Southland concluded the decade of the '70s with the greatest year in its history.

Stores Group sales were excellent throughout 1979, with 7-Eleven exceeding $3 billion for the first time, boosting total revenues to $3.876 billion, up 25.4% over 1978. Convenience store shopping continued to gain in popularity, while consumers responded enthusiastically to prime-time network television advertising and in-store merchandising and promotional programs. The Dairies Group achieved one of its finest years, with record sales and a 53.7% increase in profits, reflecting more favorable market conditions and effective operating and marketing programs. Special Operations Group sales, which for the first time include Chief Auto Parts, more than doubled to $112.5 million.

At year-end, Southland made three accounting changes. We adopted the last-in, first-out (LIFO) method of determining the cost of substantially all inventories of the Stores Group. This method more realistically reflects earnings during inflationary periods by matching current costs with current sales and conserves working capital by reducing income taxes. Also, we changed from the deferral to the flow-through method of accounting for investment tax credits (ITC), making the Company's results more comparable with most other retailers and eliminating the future effects of continuing inflation on these credits. While these changes provide immediate and long-term benefits to the Company, financial results for 1979 are not comparable to those of any prior year. In addition, we adopted Statement of Financial Accounting Standards No. 34, which requires the capitalization of interest costs incurred to finance construction or development of properties.

Overall gross margins for the year declined to 24.59% from 25.21% in 1978, primarily reflecting the adoption of LIFO and the effect of the increase in low-margin gasoline sales as a percentage of the total convenience store product mix, from 13.4% in 1978 to 17.2% in 1979. These factors more than offset the improvement in margins for convenience store merchandise, Dairies Group products, and self-serve gasoline. The effect of inflation on inventory costs and rapidly rising gasoline retail prices, without a corresponding increase in gross profit per gallon, will continue to exert pressure on margins.

Net earnings before the accounting changes were a record $68.3 million, up 19.6% from 1978's $57.1 million. The cumulative effect of the accounting changes, however, increased earnings to $83.1 million, up 45.5%. Primary earnings per share were $3.84, including 72¢ resulting from the accounting changes, compared with $2.75 in 1978. Diluted earnings were $3.72, including an additional 70¢, compared with 1978's $2.66. Per share earnings also reflect the dilutive effect of the two million additional shares of stock issued in August.

Capital expenditures for property, plant, and equipment were $223 million, the largest single-year investment program in the Company's history. Included was a record $180.9 million for an accelerated remodeling program and expansion of the Stores Group, which represents 89% of corporate revenues and operating profits. Outlays of $11.1 million, or 5%, were primarily for the acquisition of Knowlton's dairy and for manufacturing and productivity improvements in the Dairies Group. An additional $20.3 million, or 9%, was invested in the Special Operations Group for additional capacity, new vehicles, and the expansion of Chief Auto Parts. In late February, 1980, we sold for cash the maintenance facilities, vehicles, and customer leases related to the outside business of Hudgins Truck Rental. The transaction had no material effect on sales or earnings.

## FINANCIAL HIGHLIGHTS

(Dollars in thousands except per share data)

| | Year Ended December 31 | | |
|---|---|---|---|
| **For the Year** | **1979** | 1978 | % Change |
| Total Revenues | **$3,876,059** | $3,090,094 | 25.4 |
| Net Earnings | **83,141** | 57,097 | 45.6 |
| Primary Earnings Per Share* | **3.84** | 2.75 | 39.6 |
| Diluted Earnings Per Share | **3.72** | 2.66 | 39.8 |
| Cash Dividends | **17,382** | 13,627 | 27.6 |
| Return on Beginning Shareholders' Equity | **22.2%** | 17.3% | |
| **At Year-End** | | | |
| Working Capital | **168,586** | 139,633 | 20.7 |
| Current Ratio | **1.55** | 1.53 | |
| Long-Term Debt | **326,893** | 261,460 | 25.0 |
| Shareholders' Equity | **497,605** | 374,467 | 32.9 |
| Book Value Per Share* | **23.01** | 18.01 | 27.8 |
| Annual Dividend Rate Per Share | **.84** | .72 | 16.7 |
| Average Shares Outstanding (000's) | **21,626** | 20,787 | 4.0 |
| Number of Shareholders | **8,708** | 8,627 | 0.9 |
| Number of Employees | **44,300** | 37,000 | 19.7 |

*Based on average number of shares outstanding during the period after adjusting for all stock dividends.

## EFFECT OF ACCOUNTING CHANGES ON 1979 EARNINGS

(Dollars in thousands except per share data)

| | | Earnings Per Share | |
|---|---|---|---|
| | **Amount** | **Primary** | **Diluted** |
| Net Earnings before any changes | $68,273 | $3.16 | $3.06 |
| Accounting Changes: | | | |
| LIFO | (8,613) | (.40) | (.38) |
| Capitalization of interest | 2,010 | .09 | .09 |
| Current year ITC | 6,603 | .31 | .29 |
| Cumulative ITC | 15,665 | .72 | .70 |
| Contribution to Profit Sharing on cumulative ITC | (797) | (.04) | (.04) |
| Net Earnings after all changes | 83,141 | 3.84 | 3.72 |
| Remove effect of cumulative ITC | (15,665) | (.72) | (.70) |
| Net Earnings before cumulative ITC | 67,476 | 3.12 | 3.02 |
| Remove effect of contribution to Profit Sharing on cumulative ITC | 797 | .04 | .04 |
| Pro Forma Net Earnings | $68,273 | $3.16 | $3.06 |

To provide the additional capital necessary to support our growth, the Company in August sold two million shares of common stock and $75 million of unsecured 9½% Sinking Fund Debentures. The new debt, as well as the Company's two prior debenture issues, is rated "A" by both Moody's and Standard & Poor's.

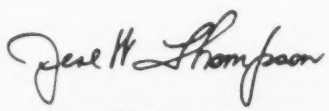
Cash dividends paid during the year were $17.4 million, up 27.5% from the prior year, and in April the annual rate was raised 16.7% to 84¢ a share. Each year since 1957 cash dividends have been paid, and during the past nine years the rate has been increased eight times, providing shareholders an average annual compound growth of 20%. In addition, for the 14th consecutive year, a 3% stock dividend was distributed.

The Company continues to encourage the "Southland family" to participate in community activities of the thousands of neighborhoods we serve. The most ambitious Company-wide project has been four years as the largest corporate fundraiser for the Muscular Dystrophy Association. Employees, franchisees, shareholders, suppliers, and customers have collected more than $15.7 million for the Jerry Lewis Labor Day Telethon, including $4.23 million in 1979. In addition, the Dairies Group is a national corporate sponsor of the March of Dimes, assisting that organization with the Mother's March on Birth Defects.

During the year, major investments were made in personnel training and development programs to reinforce Southland's organizational structure and to ensure that it is responsive to our changing needs. We also strengthened our senior management team with the election of two Executive Vice Presidents and two Vice Presidents, and in April two newly created Directorships on the Board were filled.

Southland set records in both revenues and earnings each year of the past decade in a highly competitive and unpredictable business, political, and social environment. These achievements would not have been possible without the loyalty and dedication of our employees, franchisees, and shareholders. With their continuing support, we look forward to greater accomplishments in the '80s.

JOHN P. THOMPSON
CHAIRMAN



JERE W. THOMPSON
PRESIDENT

March 10, 1980

# Stores Group



| (Millions) | 1975 | 1976 | 1977 | 1978 | 1979 | 5 Year Compound Growth |
|---|---|---|---|---|---|---|
| Sales | $1,555.0 | $1,854.9 | $2,267.8 | $2,784.0 | $3,453.0 | 19.7% |
| Operating Profit | 80.8 | 92.3 | 115.7 | 142.7 | 145.8 | 16.3 |

**7-ELEVEN** ended the decade with its first 3 billion dollar year, reaching $3.211 billion in sales, up 23.7% over last year's $2.595 billion. The record-setting pace, evident throughout the year, was due to the continuing popularity of convenience store shopping, enthusiastic consumer response to effective prime-time network television advertising, stepped-up merchandising and promotional programs, and a substantial increase in demand for self-serve gasoline. In addition, more efficient use of selling space and higher volume in established stores, competitive pricing of selected items, the opening of new stores, and the introduction of new products contributed to the outstanding gain.

Sales of the Stores Group increased $669.0 million to $3.453 billion, up 24.0%, and represented 90% of Company sales.

## Growth Continues

At year-end, there were 6,805 **7-ELEVEN** stores open, including 4,184 Company operated and 2,621 franchised, in 42 states, the District of Columbia, and five provinces of Canada. Although 666 stores were opened, 460 were closed because of relocation of older units to newly available and more desirable sites, population shifts, changing neighborhood and traffic patterns, lease expirations, and unacceptable levels of profitability.

## 7-ELEVEN Is Convenience

The key to the success of **7-ELEVEN** is giving customers what they want, when they want it, where they want it. To almost six million people a day, convenience means fast in-and-out shopping around the clock, easy access to a broad product selection, and friendly service. Their purchases, averaging $1.73, provide a continuous stream of market research data which is used to determine how best to satisfy the changing needs and wants of **7-ELEVEN** customers.

More than 80% choose "their" store because it is conveniently located in the neighborhood where they live or work. Hours of operation also are important, with about 96% of all stores open longer than the traditional 7 a.m. to 11 p.m., including 5,847 which never close. Customers average 4.4 trips per week to **7-ELEVEN** stores, with 35% of their visits on weekends.

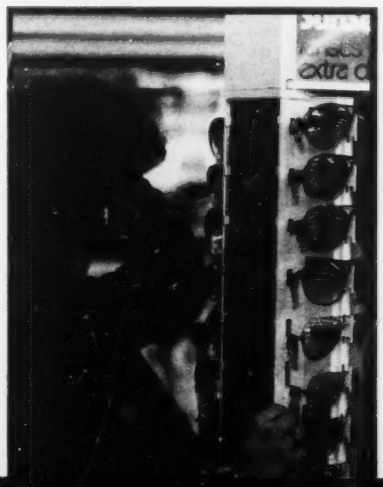
Almost 70% of customers are male, although the number of women shoppers is increasing as they continue to enter careers outside the home. While customers of all ages shop **7-ELEVEN**, approximately half are in the 25-54 age group. This group is expected to increase to 103 million by 1990, a gain of approximately 18.4 million potential customers.

## Gasoline Sales Up

During the '70s, gasoline steadily increased in importance to the **7-ELEVEN** sales mix — from less than 1% to more than 17% — as more and more motorists accepted the self-serve concept. From a base of 59 installations in 1970, Southland, to accommodate the demand for this new and popular service, expanded facilities to 2,107 stores by the end of 1979, 250 more than in 1978.

As a result of supply shortages, which began during the first quarter, total gallonage increased only 10%, but substantial retail price increases due to escalating crude oil costs pushed sales up 61% for the year.

**Time-conscious customers look to 7-ELEVEN for a fast on-the-go meal.**



**Fashionable sunglasses were one of many popular seasonal promotions.**

# 8

As approximately 31% of gasoline customers, many new to 7-ELEVEN, purchase other items, those stores offering this product benefited from additional sales.

Southland also operates 34 multi-pump self-serve units, principally on the West Coast, most of which were acquired in 1976 as part of the purchase of a group of potential 7-ELEVEN sites from an oil company. Sales of these high-volume "Super Seven" stations are not included in 7-ELEVEN gasoline revenues.

### Network Advertising Increasing

Southland substantially enlarged its nationwide prime-time television advertising following the extremely successful first campaign in 1978. Members of approximately 67 million households each broadcast week were invited to visit their neighborhood 7-ELEVEN for a breakfast of freshly brewed coffee and delicious Danish pastry, "Egg Hamlette," or "Sausage and Biscuit." The campaign also featured such popular 7-ELEVEN sandwiches as "Big 'Un," "Ham and Cheese," "Submarine," and "Chili Dog," and for an anytime taste treat, the "Big Wheel," an ice cream confection. And, for the first time, Southland advertised milk on network television in May, reminding America that "7-ELEVEN is the dairy store." The well received television campaign, supplemented in selected markets by extensive radio and newspaper advertising, increased customer awareness of 7-ELEVEN fast food items and resulted in significantly higher sales.

### Remodeling Accelerates

An accelerated store remodeling program was begun in 1979, and by year-end, more than 1,100 units had been completed with an additional 1,900 scheduled over the next two years. Projects range from changing store layouts to accommodate demand for 7-ELEVEN fast foods and self-serve gasoline to extensive renovation of the stores' interiors and exteriors, including installation of new, more energy-efficient equipment. Positive customer response to the bright, attractive, remodeled stores has substantially increased sales.

On network TV, hot 7-ELEVEN coffee soothed the monster in early risers, while the "Drugstore Cowboy" introduced "Big Gulp" in test markets.

## Management's Discussion and Analysis of the Consolidated Statement of Earnings

*Fiscal Year 1979 Compared with Fiscal Year 1978*

At year-end, the Company made three accounting changes (See Note 2 — "Notes to Consolidated Financial Statements") which affected cost of goods sold, interest expense, contribution to profit sharing, and income taxes for the year 1979.

Revenues increased $786.0 million to $3.876 billion from $3.090 billion for 1978. The excellent 25.4% increase reflects primarily the continued popularity of convenience store shopping, effective network television advertising, stepped-up promotional and in-store merchandising programs, a substantial increase in sales of self-serve gasoline, and the opening of new 7-Eleven stores. The Company opened 666 convenience stores and closed 460, for a net gain of 206 stores in 1979, compared with 242 in 1978.

Other income rose from $13.6 million to $19.8 million primarily as a result of a substantial increase in interest income from investment of surplus funds, area license royalties, and earnings of affiliates.

Cost of goods sold, including buying and occupancy expenses, for 1979 was up 26.5%, primarily due to the increase in sales and depreciation, rent, and maintenance expenses, which generally rose in proportion to the sales gain. Gross margin for the year declined to 24.59%, compared with 25.21% for 1978, primarily reflecting the adoption of LIFO and the effect of the increase in low-margin gasoline sales as a percentage of the total convenience store product mix, from 13.4% in 1978 to 17.2% in 1979. These factors more than offset the improvement in margins for convenience store merchandise, Dairies Group products, and self-serve gasoline available at 2,107 7-Eleven stores at year-end.

The ratio of expenses (selling, general and administrative expenses, interest expense, imputed interest expense, and contribution to Employees' Savings and Profit Sharing Plan) to revenues increased to 21.66% from 21.56% for 1978. Selling, general and administrative expenses increased 26.9%, primarily due to increases in advertising, personnel training, labor, and associated payroll costs. Interest expense rose 18.4%, from $15.8 million to $18.7 million, primarily reflecting the sale in December, 1978, of $50 million 9⅜% debentures, notes issued and assumed in the Chief Auto Parts acquisition, and $75 million 9½% debentures sold in August, 1979. Imputed interest expense on capital lease obligations increased 11.4% from $19.3 million in 1978 to $21.5 million in 1979.

Contributions to the Employees' Savings and Profit Sharing Plan rose 13.7% in 1979 to $13.3 million, compared with $11.7 million in 1978, as the result of increased earnings before income taxes.

Income taxes decreased as a result of a reduction in the federal statutory rate and the change in accounting for investment tax credits.

An increase in the ratio of expenses to revenues and lower gross margin resulted in pro forma net return on revenues of 1.76% in 1979, compared with 1.95% in 1978. The cumulative effect of the accounting change for ITC increased net earnings $15.7 million to $83.1 million, up 45.5% from 1978 earnings of $57.1 million.

*Fiscal Year 1978 Compared with Fiscal Year 1977*

In 1978, revenues increased $544.7 million to $3.090 billion, compared with $2.545 billion for 1977. The excellent 21.4% increase was a result of successful merchandising and advertising programs, gain in average sales volume per store, more aggressive pricing of selected products in convenience stores, a substantial increase in sales of self-serve gasoline, and the opening of new 7-Eleven stores. The Company opened 550 convenience stores and closed 308, for a net of 242 stores in 1978, compared with 404 in 1977.

Other income rose from $9,306,000 to $13,562,000 primarily as a result of a substantial increase in interest income from investment of surplus funds at a higher rate of return, area license royalties, and net gain on sale of assets no longer of use to the Company.

Gross margin for the year was maintained at the 1977 level of 25.21%. A substantial increase in sales of self-serve gasoline, a high-volume, low-margin product available at 1,857 7-Eleven stores at year-end, offset merchandise margin gains in convenience stores and dairies.

The excellent sales gain contributed to a reduction in the ratio of expenses to revenues from 21.67% in 1977 to 21.56% in 1978. Sales increased 21.3%, cost of goods sold, including buying and occupancy expenses, increased 21.4%, and expenses (selling, general and administrative expenses, interest expense, and contribution to Employees' Savings and Profit Sharing Plan) increased 20.8%, compared with 1977. Interest expense rose from $13,540,000 to $15,804,000, primarily as a result of the $50 million 8⅜% debentures sold in March, 1977, and mortgage debt incurred to finance new 7-Eleven stores. Imputed interest expense on capital lease obligations, accounted for in accordance with SFAS 13, increased from $18,064,000 in 1977 to $19,325,000 in 1978.

Contributions to the Emloyees' Savings and Profit Sharing Plan rose 20.4% in 1978 to $11.7 million, compared with $9.7 million in 1977, as the result of increased earnings before income taxes.

A reduction in the ratio of expenses to revenues resulted in net return on revenues of 1.85%, compared with 1.78% for 1977. Net earnings were a record $57.1 million, up 26.0% from 1977 earnings of $45.3 million.

CONVENIENCE STORES GROUP

Based on number of stores, Fairmont believes that it is one of the five largest publicly-held convenience retail food store chains in the United States. Fairmont operated, at February 29, 1980, 927 self-service convenience retail food stores under the name UTOTEM. The following table sets forth information with respect to the number of convenience retail food stores operated during the last five fiscal years.

| | 1980 | 1979 | 1978 | 1977 | 1976 |
|---|---|---|---|---|---|
| Number of stores operated at beginning of period | 934 | 928 | 965 | 998 | 927 |
| Number of stores opened | 29 | 25 | 23 | 39 | 136* |
| Number of stores closed | 36 | 19 | 60 | 72 | 65 |
| Net increase (decrease) in number of stores operated | (7) | 6 | (37) | (33) | 71 |
| Number of stores operated at end of period | 927 | 934 | 928 | 965 | 998 |

* Including stores acquired from others.

Since March 1, 1974, 138 convenience retail food stores were acquired from others, including 83 stores in Santa Ana, California (acquired December 1974) and 40 stores in Fort Worth and San Antonio, Texas (acquired October 1975). Following this period of rapid growth, Fairmont conducted an evaluation of the long-term profit potential of all existing stores, and closed a number of marginal or loss stores over the three year period ending February 28, 1978.

Management is continuing its policy of concentrating its internal and external expansion into areas with above-average population and income growth. Fairmont's current Asset Redeployment Program provides for an eventual concentration of Fairmont's assets in the convenience store business, although no timetable is specified in connection with the Program.

Operations

Convenience stores are generally open 16 to 24 hours daily, including Sundays and holidays. Stores are generally located in single or multi-family residential areas or on heavily traveled local streets or thoroughfares where they are accessible to customers requiring a limited number of items and rapid service. Operations are seasonal with sales and profits generally higher in the warmer months.

UTOTEM convenience stores generally contain approximately 2,400 square feet of floor space, including a refrigerated vault of approximately 500 square feet, and have parking facilities for approximately 10 cars. Each store carries a select line of grocery products and other convenience items, primarily nationally advertised brands and better-known local and regional products. In addition, Fairmont manufactures and distributes ice in Houston and the surrounding areas under the SPARKLE label. Subject to the availability of state licenses, most stores sell beer and wine and a few sell liquor. In general, inventories are purchased locally through wholesalers, distributors and jobbers and delivered by the sellers directly to each store. While the total number of employees at individual stores varies, Fairmont generally employs a store manager, an assistant manager and one or more additional part or full-time employees in each store. Store managers are responsible for operations of individual stores under the general supervision of local management.

As of February 29, 1980, approximately 539 stores have arrangements with distributors of gasoline providing for the sale of the distributor's gasoline on consignment, on a self-service basis. Sales are made from facilities owned by distributors in a portion of each store's premises leased to the distributor. Fairmont receives a commission based on the gasoline distributor's gross profits from these sales. Fairmont's gasoline commissions amounted to approximately $7,012,000 for fiscal 1980, compared with $3,134,000 for fiscal 1979. Although there is no allocation of marketing, general or administrative expenses to the sale of gasoline, Fairmont estimates that incremental costs associated with handling gasoline are approximately 15% of each commission dollar. As a result, gasoline commissions contribute significantly to Fairmont's operating earnings. Fairmont intends to increase the number of its convenience stores offering gasoline, subject to zoning restrictions, the availability of gasoline supplies and other restraints.

Approximately 60% of the gasoline sold by Fairmont during the year ended February 29, 1980 was obtained from one supplier, approximately 18% from a second supplier and approximately 7% from a third supplier. The gasoline sales of Fairmont, as consignee, and of the distributors who supply Fairmont with its consignment of gasoline are in large part subject to federal energy regulatory policies. Current Department of Energy regulations establish facilities allotments which in effect require gasoline distributors to continue to supply locations which they have historically served. As a consignee operating an independent gasoline retail business, Fairmont believes that it would be deemed a "wholesale purchaser/reseller" as that term is used in Department of Energy regulations, although the Department of Energy has not formally ruled on Fairmont's status. That designation would allow Fairmont to enforce the supply obligations of its distributors reflected by the facilities allotments of UtoteM store locations. However, under the existing rulemaking authority of the Department of Energy, in a time of short supply Fairmont's entitlement to continued gasoline supplies could be significantly curtailed. While management believes that Fairmont will continue to receive adequate quantities of gasoline to meet its customers' needs, a substantial reduction in gasoline availability could adversely affect Fairmont's earnings.

Competition

Fairmont's convenience stores generally compete in varying degrees with local and national chain groceries, supermarkets, drug stores, service stations and similar retail outlets located near them. Many of such stores have greater sales and some benefit from national and regional advertising. The successful operation of each UTOTEM store is largely dependent on location, access, area population, and the quality of service rendered.

1980 compared to 1979

Sales for ongoing businesses increased 9.2% which is principally the result of higher selling prices which reflect the higher costs of merchandise and commodities purchased and the higher cost of labor incurred by the Company. These increases are also reflected in the cost of merchandise sold which is 9.0% higher than last year.

Net sales increased 13.1% in the Convenience Stores Group with merchandise sales increasing 10.7% and the remainder of the increase primarily attributable to gasoline commissions which were more than double last year's total. While greater store volume is a contributing factor, the merchandise sales increase is caused principally by inflation. Gross margin percentages for the Convenience Stores Group were constant between the two periods while cost of merchandise sold increased 11.0%. The Dairy Group's net sales increased 7.2% which was the result of higher selling prices made necessary by increases in commodity and labor costs. The cost of merchandise sold increased 8.9%. Milk and ice cream volume declined during the year as the Group discontinued low-profit customers. An additional factor causing the lower volume is the continuing decline in per capita consumption of dairy products which is affecting the dairy industry in total. The Snack Foods Group reported declines in net sales (3.8%), cost of merchandise sold (2.6%), and gross profit (7.6%). The primary cause of the overall decline was volume lost after the closing in March 1979 of the Cleveland, Ohio meat snack plant. Consumer resistance to higher selling prices which reflect increasing costs of merchandise sold has resulted in a volume decrease in the meat snacks industry in general. Sales in the Cookie/Cracker Division were level between the two periods reflecting the impact of the industrial economic slowdown on in-plant vending sales.

Marketing, general and administrative expenses increased 5.9%. The majority of the increase is attributable to the Convenience Stores Group as these expenses in the Snack Foods Group increased minimally and the Dairy Group achieved a reduction in these expenses. Employee-related costs (wages, benefits, etc.), store operating expenses, and the costs of providing expanded administrative services were the principal areas of increase in the Convenience Stores Group.

Interest expense decreased due to the scheduled retirement of long-term debt and lease obligations. Other income represents the Company's claim for overcharges receivable under settlement of the class action antitrust litigation brought against the Folding Carton Industry.

Income tax expense increased as a result of the higher earnings and a reduction in the amount of the investment tax credit.

# To Our Shareholders

One of our main objectives during 1979 has been achieving growth while maintaining a strong financial position. Based on our schedule of opening 25 to 30 convenience stores each year, 28 new units were opened in 1979 and eight older locations were closed for a net addition of 20 stores. Also as planned, by year-end, 260 of the 336 Jr. Food Stores were equipped with self-service gasoline.

Perhaps more meaningful to you as an investor, total sales increased 28 percent to $120.1 million and net income reached a record high. Earnings per share of $1.41 topped the previous year's $.95.

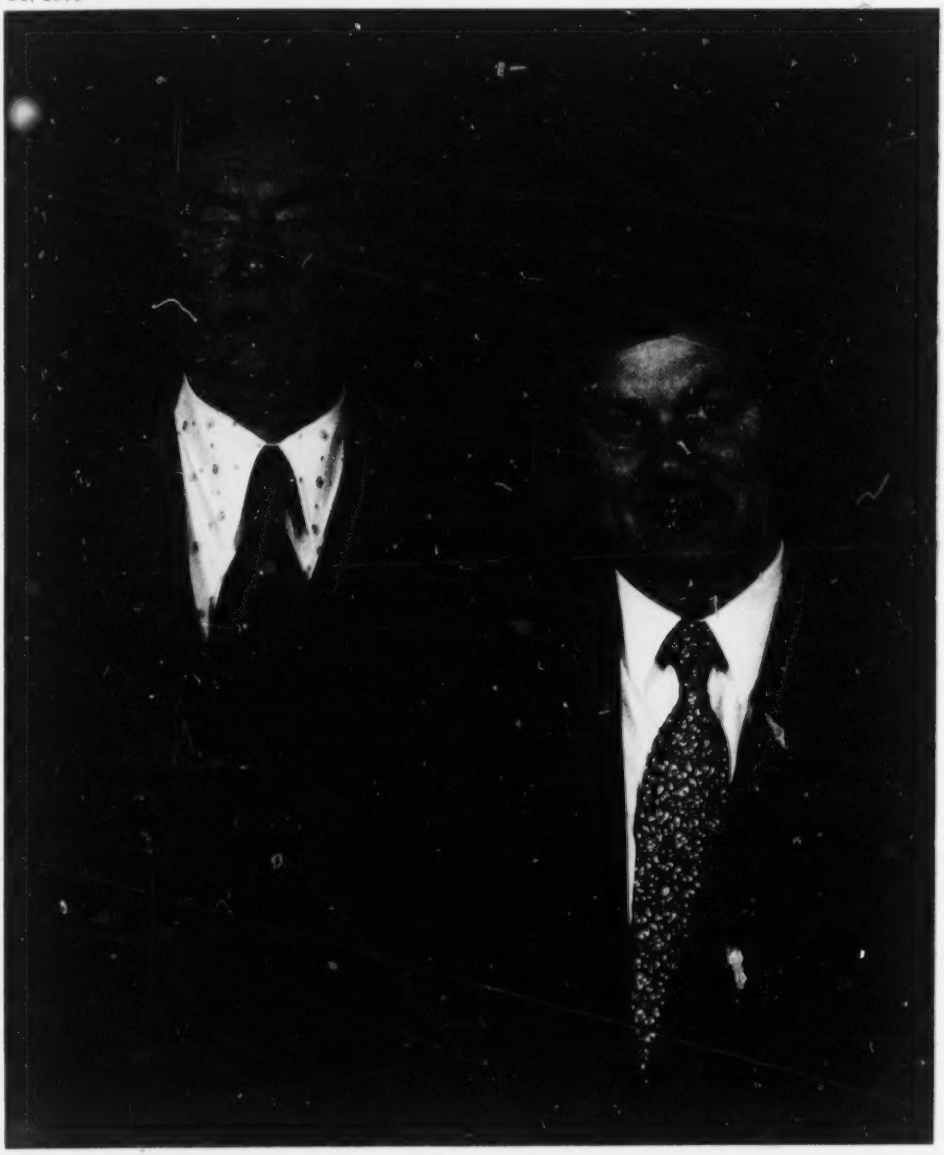
The Board of Directors declared a stock split effected in the form of a 25 percent stock dividend and a cash dividend of 10¢ per share was also declared payable on the additional shares in February, 1980. Cash dividends, paid quarterly to our shareholders since mid-1974 had previously been increased by the Directors in the August, 1979 Board meeting. The higher ten cents per share quarterly rates brought the total payout for 1979 to 30 cents per share, after adjustment for the stock dividend. First, based on stock prices during the year, Sunshine-Jr.'s cash dividends result in a yield to investors that is in line with our industry. Secondly, these dividends and our continued growth were provided from internally generated funds.

After opening our 300th convenience store in the Fall of 1978 as an "energy efficient" prototype for future Jr. Food Stores, all of the Jr.'s in 1979 followed the pattern of the new unit designed to use one-third less power than existing stores. Our current rate of new store openings should produce the 400th store within the next three years. More importantly, we have an effective store design that should help offset the increase in utility costs—one of our most inflationary expenses.

Our Company's five-state market area recorded expansion in each of the states as management sought to develop sites within the current sales radius. With stores throughout northern Florida, extensive penetration in Alabama, moderate representation in Georgia, Mississippi and Louisiana, Sunshine-Jr. continues to develop its market potential.

Sunshine-Jr.'s stockholders' equity at year-end was $13,896,622 or $8.17 per share compared to last year's $7.06. Our goal is to maintain an adequate return on this investment. However, changes in the minimum wage law and other legislation again increase the Company's costs. Ultimately the consumer pays these costs through higher prices. Our task is to charge competitive prices while covering higher operating costs.

Your management team at Sunshine-Jr. has consistently coped well with changing market conditions. When our industry turned to self-service gasoline to counteract declining sales per store, we employed the more successful gasoline marketing techniques. All of our new store plans now incorporate gasoline installations whenever possible. The latest profit improvement trend also involves snack centers for hot sandwiches and complementary food items, and in many



stores, amusement machines. A Jr. snack center module has been developed specifically for our market and has significantly increased snack food purchases during the past year.

You may be assured that the management of Sunshine-Jr. will continue to do everything possible to meet the increasing challenges of labor, energy, and transportation in such a way as to protect the Company's good profit margin. We wish for your continued cooperation and loyalty, for it is only through the support of our shareholders, customers, the suppliers, and 1,550 employees that our success has been maintained. That same support is the key to our future success as we enter the decade of the '80's.

Sincerely,

L. D. Lewis
Chairman

James E. Lewis, Jr.
President

March 3, 1980

**Fellow Shareholders:**

February 27, 1980

It pleases me greatly to report that General Host Corporation's performance during 1979 fully confirmed the turnaround we predicted last year:

- Sales reached $752 million compared with $645 million in 1978.
- Income from continuing operations rose to $10,340,000 from $3,624,000 the prior year.
- Fully diluted earnings per share amounted to $3.45 from continuing operations compared with $1.55 last year.
- Net income, including discontinued Yellowstone Park operations and extraordinary federal income tax benefit, reached a record $29,470,000 compared with a 1978 net loss of $2,604,000.

*Conversion of 11% Debentures*

During 1979 we improved our capital structure by calling the 11% Convertible Subordinated Debentures. As a result of the call, holders of over 99% of the issue elected to convert their debentures into common stock. In addition to reducing future interest costs, this action increased shareholders' equity by $16.8 million and reduced the percentage of total capitalization provided through debt financing to 55% by year end. With the conversion of the debentures, primary earnings per share will now begin to reflect most of the dilution previously shown only in the fully diluted earnings per share figures, since the debentures represented substantially all of the potential dilution.

*Investment Gains*

In the first quarter the sale of our National Convenience Stores investment was completed and in the fourth quarter the investment in Host International that we acquired during the year was sold. We believed both of these situations represented sound long-term investments for General Host. However, when it became apparent that the managements of these companies were uncomfortable with the extent of General Host's holdings, we chose to sell our positions at substantial profits. Together, these sales contributed gains of $4,227,000 to income from continuing operations.

*Yellowstone Park Company*

Another major accomplishment in 1979 was the successful completion of lengthy negotiations with the United States Government, following the termination of our operations in Yellowstone National Park. We accepted $19.9 million for the facilities, of which $15 million was received before year end. The other $4.9 million, along with the final $1+ million from the sale of inventories and other items, should be received in the first quarter of 1980. Altogether we managed a very successful conclusion to our concession contract, earning $1,623,000 from operations during 1979, compared with $1,072,000 in 1978, plus a 1979 after tax gain on the sale of the Yellowstone Park facilities of $8,274,000. All of these amounts are included in discontinued operations.

*Operations*

Today, General Host is a food manufacturing, distribution and retailing company, with six individual operating companies in different businesses. Sales increased at all of them in 1979 and all met their profit objectives. Over the past several years we have devoted considerable time and effort to upgrading our human resources at all levels and we believe that the performance of our operations in 1979 reflects the progress we have made in this critical area. Each operating company is described in this report, and their contributions to sales and earnings are summarized on page 28.

*Extraordinary Tax Benefit*

General Host's improved performance permitted the utilization in 1979 of all of the tax loss carryforwards available for financial reporting purposes, resulting in an extraordinary income tax benefit of $9,233,000. Note 5 to the financial statements describes the Company's income tax situation in more detail.

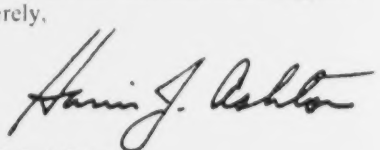
*The Future*

General Host's future has never been brighter! The favorable trends at our continuing operations should extend into 1980 and, in addition, we are seeking acquisitions to complement these businesses and provide growth opportunities in other areas. At year end cash and marketable securities amounted to $43 million and another $5.9+ million is due in the first quarter from the sale of Yellowstone Park assets. We also have $45 million of additional borrowing power under a credit agreement negotiated with a group of major banks in 1979.

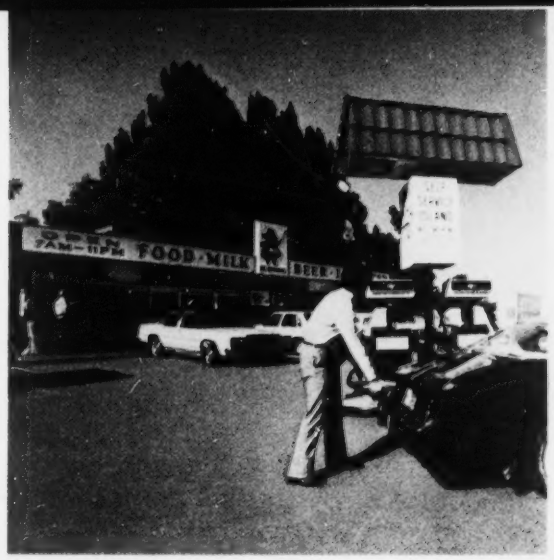
In closing, 1979 was a most exciting year for General Host. We achieved a dramatic turnaround in earnings and increased shareholders' equity to almost $84 million from $39 million. Based on our progress, the Board of Directors increased the dividend to 70¢ per share annually. Capital spending of approximately $30 million is planned in 1980 to renew and strengthen our productive capacity and to expand our earnings base, positioning General Host to meet the challenges of the new decade.

In conclusion, I wish to express my appreciation to our employees for their efforts and to our shareholders for their continued support.

Sincerely,



Harris J. Ashton
Chairman of the Board



## Li'l General Stores

Li'l General operates convenience stores—neighborhood retail units which sell high turnover consumer items such as dairy products, cigarettes, beer and soft drinks, snacks, convenience foods, bread, magazines, health and beauty aides, household items and groceries. Averaging 2,200 square feet of store space each, Li'l General stores carry the "little things" consumers need daily, between trips to the supermarket.

During 1979 Li'l General carried out a top to bottom revitalization of its management team. In addition to a new president with extensive convenience store experience, other key management members were recruited and by year end an upgraded top management team was in place.

Improvements in sales and profits were evident almost immediately. Overall, Li'l General operating profits were up 20% in 1979 and sales rose 10%, even though the number of stores declined 10% as marginal units were sold or closed. A "surprise buys" program, featuring selected items at supermarket prices, boosted unit volume, increasing average sales per store by 20% for the year.

Since Li'l General stores are located on traffic arteries, gasoline is an important item. Despite the "energy crunch," Li'l General customers pumped over 45 million gallons of gasoline into their cars at Li'l General's self-service gas islands. At year end, 167 stores were equipped with pumps and an additional 13 locations were under construction.

The typical convenience shopper spends only a few minutes in the store and often is looking for brand name merchandise to purchase "on the run." Customers usually purchase only a few items at a time, frequently consuming or using them within 30 minutes after purchase. Convenience is a key concept—ease in parking and getting in and "checked-out" of the store are important. Considering this customer profile, fast food snack centers are another "natural" for Li'l General. By year end, 355 stores were equipped with attractive snack centers featuring hot and cold sandwiches and beverages.

Li'l General management is planning a new identity to extend its marketing appeal to "on the go" women. In addition to store merchandising changes and additional convenience products, Li'l General is well along with new store exterior designs, featuring a new logo, as well as new interior layouts and color schemes. Li'l General plans to extend its new identity to older stores through a $4 million remodeling program. Thus the stage is set for Li'l General to resume its strategic growth.

| Convenience Stores | 1979 | 1978 |
|---|---|---|
| | *(Dollars in thousands)* | |
| Sales | **$148,037** | $134,516 |
| Operating income* | **$ 8,322** | $ 6,801 |
| Total assets | **$ 35,932** | $ 32,490 |
| Number of employees | **3,055** | 3,189 |
| Number of stores | **595** | 646 |

**Before interest, corporate administrative expenses and income taxes.*

*LI'L GENERAL and HOT SAM are registered trademarks of General Host Corporation.*

Headquartered in Tampa, Li'l General operates 464 stores in seven states, primarily Florida and the southeastern states. Florida operations include its Host Ice plant, servicing 124 Li'l General stores and outside customers, and a dairy distribution system which supplies 256 of its stores. Li'l General has a warehouse in Opelousas which distributes liquor and selected non-food items to 67 stores in Louisiana. Fifty-six marginal or unprofitable units, including all the Minnesota stores, were closed or sold in 1979. At year end 11 new stores were under construction and Li'l General was negotiating for 55 potential sites.

**1979 Compared with 1978**

Sales of the Company's continuing operations for 1979 increased $106,658,000 or 16.5% compared with 1978, as sales increased at all of these operations. Sales at Cudahy Foods Co. increased $62,764,000 or 15.5%, with nearly two-thirds of the increase due to increased unit volume and the remainder due to increased selling prices, reflecting higher cattle and beef costs. Sales at Van de Kamp's Frozen Foods increased $16,030,000 or 27%, due primarily to increased unit volume from the introduction of new products and continued sales penetration in eastern and midwestern markets. Sales at the Company's salt and agricultural products operations increased $14,343,000 or 31%, due principally to increased unit volume. Sales at the Company's convenience store operations increased $13,521,000 or 10%, as Li'l General Stores' average sales per store increased 20%, more than offsetting a decline in the number of stores.

Net income for 1979 amounted to $29,470,000 compared with a net loss of $2,604,000 in 1978. Income from continuing operations amounted to $10,340,000 in 1979 compared with $3,624,000 in 1978. Operating profits improved in all of the Company's business segments. Convenience stores operating profits increased $1,521,000 or 22%, as Li'l General Stores' average sales per store increased 20% and margins improved. Van de Kamp's Frozen Foods' operating profits increased $918,000 or 25% over the prior year, as a result of both increased unit volume and improved margins. Cudahy Foods Co. operating profits improved $670,000 or 18% as a result of increased unit volume and improved margins. Salt and agricultural products operating profits increased $495,000 or 8%, due to increased unit volume at American Salt Company. Other income in 1979 includes pre-tax gains of $5,055,000 from the sale of the Company's investment in National Convenience Stores (See Note 3 to consolidated financial statements) and $1,696,000 from the sale of the Company's investment in Host International, which together increased income from continuing operations by $4,227,000. Income from discontinued operations in 1979 amounted to $9,897,000, including Yellowstone Park Company income for the year and an after tax gain from the sale of the Company's Yellowstone Park assets of $8,274,000, compared with losses from discontinued operations (less Yellowstone Park Company income) of $6,228,000 in the prior year (See Note 2). Net income for 1979 also includes an extraordinary federal income tax benefit of $9,233,000 resulting from the utilization of the Company's loss carryforwards (See Note 5).

Primary earnings per share in 1979 reflects the effect of issuing 1,261,908 shares of common stock upon conversion of the Company's 11% Convertible Subordinated Debentures (See Note 4).

**1978 Compared with 1977**

Total sales of the Company's continuing operations for 1978 increased $103,498,000 or 19% compared with 1977 as sales increased at all of the Company's continuing operations. The principal increases occurred at Cudahy Foods Co., Van de Kamp's Frozen Foods and the convenience stores operations. Sales at Cudahy Foods Co. increased $69,424,000 or 21%, as selling prices increased approximately 18%, due principally to higher hog and cattle costs, and unit volume increased about 3% over the prior year. Sales at Van de Kamp's Frozen Foods increased $13,921,000 or 30% in 1978, due principally to increased unit volume from continued sales penetration in eastern markets served by the Erie, Pennsylvania facility, which became operational in mid-1977, and also due to increased selling prices which reflected higher raw material costs. Sales at the convenience stores operations increased approximately $11,084,000 or 9%, as Li'l General Stores' average sales per store increased 12% and more than offset a decline in the number of stores. Sales increases at the salt and agricultural products operations resulted from both increased unit volume and higher selling prices.

The Company incurred a net loss of $2,604,000 in 1978, entirely as a result of the operating losses (less Yellowstone Park Company income), and provisions for estimated losses on disposal, of discontinued operations which aggregated $6,228,000 in 1978, after applicable income tax benefit (See Note 2), as compared with a net loss of $912,000 in 1977, including operating losses (less Yellowstone Park Company income) of discontinued operations aggregating $991,000. Income from continuing operations in 1978, after a pre-tax provision of $1,135,000 for loss on an uncollectible note, increased by $3,545,000, primarily as a result of increased operating profits at all of the Company's continuing operations. Operating profits at Cudahy Foods Co. increased $1,495,000 or 65% in 1978, primarily as a result of improved profit margins, resulting from increased selling prices, and higher unit volume. Operating profits increased $1,054,000 at Van de Kamp's Frozen Foods Division and $1,901,000 at the Company's salt and agricultural products operations as a result of both higher unit volume and profit margins. In addition, the salt and agricultural products operations' manufacturing costs were adversely affected by a major fire at Milk Specialties Company's Boscobel, Wisconsin plant in 1977 and the 1978 results include the favorable effect of a related insurance settlement. Operating profits at the convenience store operations increased $863,000, due almost entirely to increased unit volume and higher profit margins at the Hot Sam unit. Other income increased $639,000, primarily because the Company's equity in the earnings of National Convenience Stores amounted to $1,279,000 in 1978 compared with $183,000 in 1977. These earnings improvements were partially offset by a $1,243,000 increase in the provision for income taxes on income from continuing operations.

# PRESIDENT'S REPORT

To Our Stockholders:

**FINANCIAL REVIEW:** Hop-In Food Stores, Inc., has completed its tenth consecutive year of record sales and earnings in fiscal 1980. Net earnings after income taxes were $728,129, as compared to $716,100 for the year ended June 30, 1979.

On a fully diluted basis, earnings per share of common stock were $1.53 as compared to $1.72 last year. Total revenues amount to $55,148,000 as compared to $42,765,000 last year.

The Company has changed its method of accounting for gasoline inventories to last-in, first-out (LIFO) method. This was done because of the rapid increases in prices during the year. The effect on reported earnings for the year was a decrease in inventory valuation and earnings before tax of $273,140 and a decrease of $138,277 and 29¢ per share on after tax earnings.

Consistent with our positive growth in earnings, your Board of Directors increased the quarterly dividend from 4½¢ per share to 6¢ per share in December, 1979.

On March 27, 1980, Hop-In Food Stores, Inc., and Silverwood Industries Limited (of Toronto, Canada) announced that a wholly-owned United States subsidiary of Silverwood had acquired from Hop-In 200,000 common shares of stock at $13.00 per share. These newly issued shares represented approximately 33 1/3% of Hop-In's outstanding common stock. Silverwood Industries also agreed to purchase from Hop-In not later than February 28, 1982, $3,900,000 principal amount of Hop-In floating rate convertible subordinated debentures. The debentures will have a term of five years from the date of issuance, bear interest at the prime rate as in effect from time to time, and be convertible into 300,000 additional Hop-In common shares at the rate of $13.00 per share.

Silverwood Industries further agreed that on or prior to January 10, 1982, it would propose to the Hop-In Board of Directors a transaction whereby Silverwood Industries would acquire all outstanding Hop-In shares (other than those owned by Silverwood) at a price of $17.00 per share. Silverwood Industries would also be required to make such offer to the Hop-In Board prior to January 10, 1982, if Silverwood becomes the owner of more than 50% of the outstanding Hop-In shares prior to that date. The making of such offer and the consumation of any resulting transaction would also be subject to satisfaction of various conditions all of which are described in detail in the notes accompanying this financial statement. In addition, I call your attention to the "Management's Discussion and Analysis of Summary of Operations" for a detailed financial review.

**OPERATIONS:** During the past year, we acquired 15 stores and constructed one new store while closing 9 stores for a net gain of 7 operating stores. The largest single purchase was the assets of 6 Flash Markets in the High Point, North Carolina, trading area which occurred on January 28, 1980.

As of June 30, 1980, we had 140 stores in operation of which 114 offered self-service gasoline. In subsequent events, we have opened 2 more stores and have 10 stores in various stages of construction.

**FURTHER PROGRESS:** We were pleased to have Mr. Robert G. Sheetz join our Board in March of 1980. Mr. Sheetz is an experienced multi-store owner/operator in Western Pennsylvania and brings a great deal of expertise to our Board.

Subsequent to the sale of stock to Silverwood, the Board of directors of Hop-In was increased from six to nine members and Mr. Eric F. Findlay, Chairman of the Board and President of Silverwood Industries Limited, Mr. Robert S. Maich, Vice President of Silverwood and President of Mac's Convenience Stores Limited, and Mr. William Sagain, Vice President of Corporate Development of Silverwood, were elected as Directors to fill the vacancies.

All of us at Hop-In are quite excited about our new relationship with Silverwood Industries. It has brought further financial strength to your Company and we feel your Board of Directors is as strong as any convenience store company's in the country. These types of positive actions combined with the outstanding efforts of our staff and employees should place us in favorable position to compete and prosper in the decade ahead.

We look forward to seeing you at our Annual Meeting in October and will be glad to answer any questions that you have at any time.

Respectfully submitted,

John M. Hudgins, Jr.
President

# FIVE-YEAR SUMMARY OF OPERATIONS

| (Dollars in Thousands except per share data) | Year Ended June 30 | | | | |
|---|---|---|---|---|---|
| | 1980 | 1979 | 1978 | 1977 | 1976 |
| Total Revenue | $55,148 | $42,765 | $31,714 | $22,739 | $14,077 |
| Costs and Expenses: | | | | | |
| Cost of Goods Sold | 40,387 | 31,011 | 22,733 | 15,932 | 10,017 |
| Operating, General and Administrative Expenses | 13,159 | 10,346 | 7,826 | 6,057 | 3,519 |
| Interest Expense | 409 | 282 | 112 | 104 | 90 |
| Earnings Before Income Taxes | 1,193 | 1,126 | 1,043 | 646 | 451 |
| Federal and State Income Taxes | 465 | 410 | 385 | 254 | 172 |
| Net Earnings | $ 728 | $ 716 | $ 658 | $ 392 | $ 279 |
| Earnings Per Share: | | | | | |
| Primary | $ 1.53 | $ 1.72 | $ 1.66 | $ 1.55 | $ 1.67 |
| Fully Diluted | $ 1.53 | $ 1.72 | $ 1.62 | $ 1.55 | $ 1.31 |
| Average Common and Common Equivalent Shares Outstanding | 476,753 | 417,510 | 405,698 | 252,048 | 167,862 |
| Book Value Per Share | $ 10.10 | $ 8.18 | $ 6.55 | $ 5.04 | $ 3.76 |
| Stockholders' Equity | $ 6,081 | $ 3,287 | $ 2,585 | $ 1,917 | $ 937 |
| Return on Beginning Stockholders' Equity | 22.2% | 27.7% | 34.3% | 41.8% | 51.5% |
| Total Assets | $14,756 | $10,625 | $ 7,604 | $ 5,682 | $ 2,367 |
| Stores in Operation at End of Year | 140 | 132 | 112 | 92 | 76 |

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF SUMMARY OF OPERATIONS

Growth in revenues during the two fiscal years ended June 30, 1980, has resulted primarily from the Company's expansion policy of adding stores to its operations. Revenues have increased each year during the last five years from $14.1 million in 1976 to $55.1 million in 1980. In fiscal 1980 revenues increased 29.0% compared to a 34.8% increase in 1979. Based on the average number of stores open each year, average grocery sales per store increased 7.9% in 1979 and 0.2% in 1980.

During the past year 15 existing stores were purchased, 1 store was built, and 9 stores were closed for a net gain of 7 stores. Fiscal year 1979 had a net gain of 20 stores; 18 were purchases of existing stores, 9 stores were built, and 7 were closed.

Total gasoline sales from both Company owned installations and commissioned locations increased 46% in 1979 and 55.4% in 1980 mainly due to the explosive increase in overall energy prices and to the increased number of stores selling gasoline. 108 stores sold gasoline at the end of 1979 and 114 at the end of fiscal 1980. The average number of gallons sold per location increased 18.7% in 1979 but decreased 29.8% in 1980. Average gross margin per gallon sold, however, increased 1.7¢ in 1979 and 3.9¢ in 1980.

The Company has changed its method of accounting for gasoline inventories to last-in, first-out (LIFO) method. This was done because of the rapid increases in prices during the year. The effect on reported earnings for the year was a decrease in inventory valuation and earnings before tax of $273,140 and a decrease of $138,277 and 29¢ per share on after tax earnings.

Amusement machine commissions leveled off and declined in 1979 to $230,000 but increased to $337,000 in 1980.

Gross margin on grocery sales decreased in fiscal 1979 from 33.1% to 32.7% but increased in fiscal 1980 to 33.5%.

Operating, general and administrative expenses were 23.0% of revenues in 1979, 22.6% in 1980, increased cost pressures being offset by increases in revenues.

Depreciation and amortization expense has increased each year primarily in proportion to the addition of fixed assets as a result of additional stores and remodeling of older stores. Interest expense increased to $410,000 in 1980 versus $282,000 in 1979. The application of Financial Accounting Standards Statement #13 regulating the capitalization of long-term real estate leases has the effect of increasing both depreciation and interest. This application has the effect of reducing earnings per share 2¢ in 1977, 1¢ in 1978, 2¢ in 1979, and 2¢ in 1980.

The effective income tax rate increased from 36.3% in 1979 to 39.0% for 1980. Net earnings after tax increased from $716,500 in 1979 to $728,100 in 1980. Net earnings as a percent of total revenues were 1.68% in 1979 and 1.32% in 1980.

A two for one stock split was effective in October, 1978. The weighted average number of shares outstanding, on a fully diluted basis, increased 2.9% in 1979 and 14.1% in 1980, due mainly to the sale of 200,000 shares of stock to USSIL, a subsidiary of Silverwood Industries Limited of Toronto, Canada. Fully diluted earnings per share decreased from $1.72 in 1979 to $1.53 for 1980.

**TO OUR SHAREHOLDERS:**

For the year ending August 31, 1979, I am pleased to announce that your Mini Mart Corporation just completed an excellent year of operations and profits. These profits were derived substantially from the convenience store and gasoline operations. Company sales were $28,690,752 as compared to $24,203,906 for the previous year ended August 31, 1978. Net income after taxes was $470,684 or $.25 per share as compared to $496,323, also $.25 per share, for the previous year, but this year's income was 97% attributable to the earnings of the convenience stores, which also encompasses the increased sales of self-service gasoline.

Sales increased due to higher inflationary selling prices and increased gasoline revenues. Gross profit increased by .78%. Selling, general and administrative expenses decreased 1.36%, as a percentage of sales.

During fiscal 1979 we opened 11 stores and closed 15 stores due to lease expirations, subletting to other parties and decisions to close operations of unprofitable stores, and at year's end we had a total of 115 stores. We have under construction and planning 4 strip centers.

We expect total payroll costs to increase in the year 1980 because of the federal minimum wage increase. Therefore, this gives us a reason to strive even harder in controlling such fixed costs such as energy, insurance and general administrative expenses. However, we believe we will have accelerated growth during the new year.

We thank our directors, executive staff, employees and suppliers for their continued support of our Company.

Sincerely,

JACK FINEBERG, President
MINI MART CORPORATION

| | 1979 | 1978 | 1977 | 1976 | 1975 |
|---|---|---|---|---|---|
| Revenues | $29,212,253 | $25,253,670 | $22,304,520 | $21,581,422 | $22,877,617 |
| Net Income | 470,684 | 496,323 | 148,814 | 244,658 | 666,412 |
| Earnings Per Share | 25¢ | 25¢ | 8¢ | 12¢ | 34¢ |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED STATEMENTS OF INCOME

**1979 compared to 1978:**

Net sales for 1979 increased 18.54% from 1978, as a result of two factors: higher selling prices of convenience store items and increased gasoline revenues. Gross profit on sales increased from 28.00% in 1978 to 28.78% in 1979. This increase was primarily attributable to more aggressive marketing practices of convenience store items offset partially by the lower gross profit inherent in sales of gasoline. Selling, general and administrative expenses decreased from 28.83% of sales in 1978 to 27.47% of sales in 1979. This percentage decrease was achieved by the implementation of cost restraints in addition to the fact that increases in the sales volume did not fully necessitate a corresponding increase in overhead. Interest expense decreased from 1978 to 1979 because of a decrease in outstanding debt. This debt reduction was a direct result of the sale of a strip shopping center in 1978. Other income increased 2.92% over 1978 because of commissions earned on increased gasoline sales. Income taxes increased from 1978 to 1979 as a percent of pre-tax income because in 1978 the sale of a strip shopping center resulted in more favorable tax treatment. Net income decreased $25,639 from 1978 because of the higher tax rate on 1979 pre-tax income.

**1978 compared to 1977:**

Net sales for 1978 increased 10.24% from 1977, as a result of higher selling prices necessitated by higher costs and an increase in the number of stores selling gasoline. The gross profit percentage decreased from 29.09% in 1977 to 28.00% in 1978. This decrease was primarily attributable to a lower gross profit inherent in gasoline sales. Selling, general and administrative expenses increased from 28.64% of sales in 1977 to 28.83% of sales in 1978. This increase was principally due to increased payroll and related costs. Interest expense decreased from 1977 to 1978, because of the continued reduction of loans outstanding. Other income increased from commissions received on certain gas sales and additional interest income. During 1978, a subsidiary sold a strip shopping center, resulting in a pre-tax gain of $563,977. Income taxes increased from 1977 to 1978 due to the higher level of pre-tax income. Net income increased $347,509 from 1977 to 1978, primarily because of the gain on the sale of the shopping center.

# Letter To Stockholders

Earnings for the year 1979 sharply exceeded 1978 results and reflected the continuation of the Company's turnaround and operations improvement. Revenues from continuing operations increased to $292,367,000, up $32,335,000, or 12% over 1978, while net earnings from continuing operations were $2,309,000, or $.87 per share, compared to $701,000, or $.17 per share in 1978, an improvement of 229%. Results for 1979 are based on a 53-week accounting period compared to 52 weeks in 1978.

*Dillard Munford, Chairman of the Board and Chief Executive Officer*

Overall, the net earnings of $.87 per share for 1979 compares to a net loss of ($.72) per share for 1978 which included a loss from discontinued operations of $1,888,000 or ($.89) per share in 1978.

The WORLD BAZAAR® and Refrigerated Warehouse Divisions did have record years in 1979, but the MAJIK MARKET® Division, which was putting together a new management team, still had not refined its operation to the level expected in the coming months. The MAJIK MARKET® Division, which is the major profit center of the Company, experienced gasoline allocation problems, restricted hours of gasoline sales, lines of unhappy customers at the pumps, and a general climate of uncertainty in its 555 MAJIK MARKETS® which sell gasoline. In spite of these problems, which normally would have adversely affected performance, gasoline income was the highest ever during 1979. In 1979, the MAJIK MARKET® Division dispensed in excess of 334,000,000 gallons of gasoline. The majority of the gasoline/food outlets sell gasoline under the distinguished brand names of Gulf, Citgo, Texaco, Amoco and Mobil.

The new emphasis in the MAJIK MARKET® Division on merchandising and marketing is having a definite effect on sales, with average sales improvement per store for the year being well ahead of the inflation factor. New products, new services, improved store properties and a more intense training program for personnel are having a positive effect on store operations and will have a greater effect as store personnel become adjusted to what is really a new type of business. Just having a store in a good location is not enough in this industry any more, and the division has become more deeply involved in fast food promotions, advertising, merchandising, and training of higher quality personnel.

The 1980's should see the MAJIK MARKET® Division not only distinctly improve its operation to new levels of profitability, but also see it expand into many new areas. Many older and smaller stores have been closed, and better locations with higher volume units are now the program for the division.

*Left to Right: Russell C. Fellows, Senior Vice President-Marketing; Robert D. Blythe, Executive Vice President-Finance; Herbert J. Dickson, President; and Stephen N. Danneman, Senior Vice President-Administration and Secretary.*

The WORLD BAZAAR® Division will continue its expansion in the coming year. A major expansion of the Gateway refrigerated facility in Atlanta will enable the Refrigerated Warehouse Division to give better service to its major food processing customers. The Gateway complex is now the largest refrigerated facility in the South, and further expansion is imminent.

Higher costs of operation in a retail/service company like Munford, Inc. are major factors in the business, and involve continuous scrutiny of pricing so that the Company can give the customer the best prices, products and service possible, and at the same time protect the stockholders' investment. Money and asset management now play a major role in the Company's operations and a continuous campaign to place the Company's assets in the most productive area is well under way. The year ended with the Company, for the first time in many years, having no short-term bank debt, and the finances of the Company are in good order.

Munford, Inc. has accomplished, over the past two years, a major restructuring program. The Company has now been positioned in the market place to take advantage of the opportunities of the 1980's. The WORLD BAZAAR® operation has become a basic growth retailing operation and the Refrigerated Warehouse Division will continue to be a leader in the industry. The MAJIK MARKET® Division can be expected to reassume its role as an industry leader in the 1980's.

The Company is looking forward to 1980, which should be a good year in spite of the projected economic downturn.

Munford, Inc. is well staffed with competent and experienced personnel qualified to react to changes in the economic climate. It is believed that you will continue to see the Company grow and prosper.

Sincerely,

Dillard Munford

## Management Analysis of Operating Results

**1979** — Sales from continuing operations of the Company of $292,367,000 increased 12% over 1978. Earnings from continuing operations of $2,309,000 in 1979 compared to earnings of $701,000 in 1978, or a 229% increase. Earnings from continuing operations for 1979 include gains from the sale of assets of $263,000. This compares to gains in 1978 from asset disposals and the discontinuation of the Company's retirement plan of $1,638,000.

The MAJIK MARKETS® Convenience Food Stores had a $24,412,000 or 10% increase in sales over 1978, with a small decrease in the number of units being operated. The WORLD BAZAAR® Import Stores' revenue increased $6,883,000 or 48% as a result of increased sales per store and additional stores being operated. The Refrigerated Warehouse Division's revenue increased only 5% due to a decrease in cubic feet available for storage.

The cost of sales increase of $18,021,000 or 11% in the MAJIK MARKETS® Convenience Food Stores was attributable primarily to increased volume and cost of goods. The WORLD BAZAAR® Division's cost of sales increased $3,418,000 or 57% and was due to increased volume with a slight decrease in gross margin percentage. The Refrigerated Warehouse Division's cost of sales decreased 3% due to fewer facilities being operated.

Operating expenses as analyzed in this paragraph include selling and delivery expenses, general and administrative expenses, and depreciation. Operating expenses in the MAJIK MARKETS® Division increased $4,141,000 or 6% over 1978. Labor costs, utilities, and shortages contributed to this increase. The WORLD BAZAAR® increase of $2,646,000 or 29% was due principally to increased volume. The Refrigerated Warehouse Division's operating expenses decreased $19,000 or 1% due to fewer facilities being operated.

Interest expenses from continuing operations increased 5% or $141,000 over 1978. This increase was due to the higher interest rate paid for short-term borrowings in 1979. The higher interest rates were partially offset by reduction in average short-term borrowings. Interest expense on capitalized lease obligations decreased $392,000 or 9% due to a decrease in outstanding lease obligations.

A gain on asset disposals of $263,000 in 1979 compares to a gain on asset disposals of $208,000 in 1978. In addition, the corporation realized a gain of $1,430,000 from the termination of the pension plan in 1978.

The effective tax rate for continuing operations was 31% in 1979 compared to 9% in 1978. Investment tax credits as a percentage of tax was less in 1979 compared to 1978.

The Company sold both its Ice Division and Farmbest Foods, Inc. subsidiary in 1978. There is no comparable item in 1979.

**1978** — Sales from continuing operations of the Company of $260,032,000 in 1978 increased 11% over 1977. Earnings from continuing operations of $701,000 compared to a loss of $1,270,000 in 1977. Earnings from continuing operations for 1978 include a gain from sale of assets and discontinuation of the retirement plan of $1,638,000. The 1977 loss included gains from sale of fixed assets of $909,000.

The MAJIK MARKETS® Convenience Food Stores had a $21,773,000 or 10% increase in sales over 1977. The average sales per store per week increased $437 for conventional stores. The WORLD BAZAAR® Import Stores' revenues increased $4,692,000 or 49% as a result of increased sales per store and additional stores being opened. The Refrigerated Warehouse Division's revenue increased $856,000, or 8% over 1977.

The cost of sales increase of $16,240,000 or 12% in the MAJIK MARKETS® Convenience Food Stores was attributable principally to increased volume and cost of goods. Volume increases were the cause of the cost of sales increases in the WORLD BAZAAR® Division of $1,932,000 or 47%. The Refrigerated Warehouse Division's cost of sales increased $489,000 or 9% which is in line with normal inflationary trends.

Operating expenses as analyzed in this paragraph, include selling and delivery expenses, general and administrative expenses, and depreciation. Operating expenses in the MAJIK MARKETS® Division increased $2,728,000 or 4% over 1977. Labor costs, utilities and shortages contributed to this increase. The WORLD BAZAAR® Division's increase of $2,037,000 or 47% was due principally to increased volume. The Refrigerated Warehouse Division's increase of $73,000 or 6% was in line with inflationary trends.

Interest expenses from continuing operations increased 8% or $202,000 over 1977. This was principally due to higher average short-term debt in con-

junction with generally higher interest rates. This increase was partially offset by a reduction in long-term debt. Interest expense on capitalized lease obligations decreased $105 000 or 2% due to a decrease in outstanding lease obligations.

The gain on asset disposals of $208.000 decreased $701,000 or 77% from 1977. In addition, the corporation realized a gain of $1,430,000 from the termination of the pension plan in 1978.

The effective tax rate for continuing operations was 9% in 1978, compared to (60%) in 1977. In a profitable year, investment tax credits reduce the effective tax rate. In a loss year, the investment tax credits increase the effective rate of tax benefit.

The Company sold both its Ice Division and Farmbest Foods, Inc. subsidiary in 1978. The Summary of Operations has been classified for 1978 and reclassified for prior years to show the effect of these discontinued operations. Earnings from discontinued operations were $163,000 in 1978 and $220,000 in 1977. The Company incurred a loss of $2,051,000 on the sale of discontinued operations in 1978.

## DOLLARS PER DAY SURVEY - FIRST ANNUAL REPORT
### Convenience Store Industry Ranked By Profit Per Day

| Company | Year Ended | Stores | Store Days | Convenience Store Sales | Avg. Sales Per Day Per Store | Pretax Profit | After Tax Profit | After Tax Profit as % of Sales | Profit Per Day Pretax | Profit Per Store After Tax |
|---|---|---|---|---|---|---|---|---|---|---|
| Circle K | 4/30/71 | 536 | 175,074 | $ 93,607,624 | $535 | $ 5,846,536 | $ 2,895,815 | 3.09% | $33.39 | $16.54 |
| Sunshine Jr. | 12/31/70 | 98 | 31,766 | 11,753,761 | 370 | 614,711 | 321,494 | 2.73 | 19.35 | 10.12 |
| Southland | 12/31/70 | 3,734 | 1,327,056 | 748,949,792 | 564 | 22,757,874 | 11,283,353 | 1.50 | 17.15 | 8.50 |
| UtoteM | 2/28/71 | 496 | 167,936 | 65,579,870 | 391 | 2,636,864 | 1,276,689 | 1.95 | 15.70 | 7.60 |
| Dillon | 7/ 3/71 | 98 | 30,856 | 17,140,222 | 555 | 244,336 | 122,168 | .71 | 7.27 | 3.95 |
| Natl. Con. | 6/30/71 | 487 | 172,113 | 72,000,000 | 418 | 1,220,101 | 760,101 | 1.05 | 7.09 | 4.41 |
| Li'l General | 12/26/70 | 497 | 181,405 | 61,721,000 | 340 | 1,152,370 | 576,185 | .93 | 6.35 | 3.18 |
| Jackson-Atl | 1/ 2/71 | 928 | 338,720 | 103,900,023 | 307 | 1,985,471 | 981,148 | .94 | 5.86 | 2.90 |
| Con. Ind. | 5/31/71 | 160 | 50,005 | 51,220,004 | 877 | 33,300 | 24,600 | .05 | 2.04 | 1.02 |
| Stop-N-Go | 7/1/71 | 140 | 48,188 | 23,757,906 | 493 | (45,058) | (23,058) | (.97) | (.94) | (.48) |
| Totals | | 7151 | 2,523,119 | $1,249,660,202 | $495 | $36,446,505 | $18,218,495 | 1.45% | $14.45 | $ 7.22 |

## DOLLARS PER DAY SURVEY - SECOND ANNUAL REPORT
### Convenience Store Industry Ranked By Profit Per Day

| Company | Year Ended | Stores | Store Days | Convenience Store Sales | Avg. Sales Per Day Per Store | Pretax Profit | After Tax Profit | After Tax Profit as % of Sales | Profit Per Day Pretax | Profit Per Store After Tax |
|---|---|---|---|---|---|---|---|---|---|---|
| Circle K | 4/30/72 | 678 | 221,626 | $ 128,984,052 | $582 | $ 7,334,224 | $ 3,928,226 | 3.04% | $33.09 | $17.72 |
| Sunshine Jr. | 12/31/71 | 115 | 38,881 | 15,167,194 | 390 | 795,807 | 429,735 | 2.83 | 20.46 | 11.05 |
| UtoteM | 2/29/72 | 602 | 200,934 | 82,415,786 | 410 | 4,049,286 | 2,227,107 | 2.70 | 20.15 | 11.08 |
| Southland | 12/31/71 | 4,114 | 1,432,450 | 856,169,721 | 598 | 27,720,217 | 14,275,361 | 1.67 | 19.35 | 9.97 |
| Natl. Con. | 6/30/72 | 529 | 185,441 | 90,140,000 | 486 | 2,529,000 | 1,390,950 | 1.54 | 13.63 | 7.50 |
| Dillon | 7/ 1/72 | 123 | 40,222 | 25,803,447 | 642 | 572,596 | 285,798 | 1.10 | 13.05 | 7.11 |
| Con. Ind. | 5/31/72 | 141 | 50,874 | 49,931,737 | 847 | 528,000 | 290,400 | .58 | 12.67 | 6.33 |
| Li'l General | 12/25/71 | 510 | 183,784 | 63,251,000 | 344 | 1,848,470 | 924,235 | 1.46 | 10.06 | 5.03 |
| Munford | 1/ 1/72 | 959 | 344,393 | 115,465,188 | 335 | 3,057,421 | 1,656,213 | 1.43 | 8.88 | 4.80 |
| Stop-N-Go | 6/29/72 | 123 | 45,018 | 27,449,898 | 610 | 214,933 | 114,933 | .42 | 4.77 | 2.55 |
| Totals | | 7,894 | 2,743,623 | $1,454,778,023 | $530 | $48,648,954 | $25,522,958 | 1.75% | $17.73 | $ 9.30 |

## DOLLARS PER DAY SURVEY - THIRD ANNUAL REPORT
### Convenience Store Industry Ranked By Profit Per Day

| Company | Year Ended | Stores | Store Days | Convenience Store Sales | Avg. Sales Per Day Per Store | Pretax Profit | After Tax Profit | After Tax Profit as % of Sales | Profit Per Day Pretax | Profit Per Store After Tax |
|---|---|---|---|---|---|---|---|---|---|---|
| Circle K | 4/30/73 | 826 | 274,554 | $ 161,407,689 | $588 | $ 8,605,929 | $ 4,507,929 | 2.79% | $31.35 | $16.41 |
| Dillon | 6/30/73 | 160 | 51,666 | 34,255,130 | 663 | 1,257,714 | 628,857 | 1.83 | 24.35 | 12.17 |
| UtoteM | 2/28/73 | 703 | 238,213 | 100,000,144 | 420 | 5,083,610 | 2,694,313 | 2.69 | 21.34 | 11.31 |
| Southland | 12/31/72 | 4,455 | 1,564,013 | 1,049,101,871 | 671 | 31,866,950 | 16,495,838 | 1.57 | 20.38 | 11.09 |
| Sunshine Jr. | 12/31/72 | 144 | 47,397 | 19,551,693 | 413 | 962,162 | 509,945 | 2.60 | 20.30 | 10.75 |
| Con. Ind. | 5/27/73 | 163 | 56,223 | 52,864,738 | 940 | 596,000 | 327,800 | | 14.62 | 7.31 |
| Natl. Con. | 6/30/73 | 646 | 214,496 | 113,205,563 | 528 | 2,864,171 | 1,764,171 | 1.55 | 13.35 | 8.22 |
| Stop-N-Go | 6/28/73 | 125 | 45,261 | 31,548,858 | 697 | 550,338 | 283,338 | .89 | 12.16 | 6.26 |
| Li'l General | 12/30/72 | 507 | 188,604 | 72,891,000 | 386 | 2,135,270 | 1,067,635 | 1.46 | 11.32 | 5.66 |
| Munford | 12/28/72 | 1,057 | 364,896 | 130,384,354 | 357 | 3,278,780 | 1,877,481 | 1.43 | 8.98 | 5.14 |
| | | 8,790 | 3,045,323 | $1,765,211,423 | $579 | $57,200,924 | $30,157,307 | 1.75% | $18.78 | $ 9.90 |

## DOLLARS PER DAY SURVEY - FOURTH ANNUAL REPORT 1974
### Convenience Store Industry Ranked By Profit Per Day

| Company | Year Ended | Stores | Store Days | Convenience Store Sales | Avg. Sales Per Day Per Store | Pretax Profit | After Tax Profit | After Tax Profit as % of Sales | Profit Per Day Pertax | Profit Per Store After Tax |
|---|---|---|---|---|---|---|---|---|---|---|
| Shop & Go | 3/31/74 | 170 | 55,498 | $ 35,922,723 | $647 | $ 2,789,108 | $ 1,420,125 | 3.95% | $50.26 | $25.59 |
| Li'l Champ | 4/27/74 | 80 | 25,378 | 12,822,449 | 505 | 1,043,315 | 541,950 | 4.23 | 41.11 | 21.36 |
| Circle K | 4/30/74 | 947 | 323,633 | 191,639,986 | 592 | 8,931,084 | 4,751,084 | 2.48 | 27.59 | 14.68 |
| UtoteM | 2/28/74 | 762 | 267,392 | 12,892,732 | 452 | 6,306,140 | 3,405,316 | 2.82 | 23.58 | 12.73 |
| Hop-In | 6/30/74 | 27 | 8,945 | 6,775,670 | 757 | 187,659 | 119,534 | 1.76 | 20.97 | 13.36 |
| Southland | 12/31/73 | 4,801 | 1,689,393 | 1,103,227,100 | 653 | 34,875,261 | 17,695,921 | 1.27 | 20.64 | 10.47 |
| Sunshine, Jr. | 12/31/73 | 179 | 58,965 | 25,783,848 | 437 | 1,210,073 | 641,339 | 2.49 | 20.52 | 10.88 |
| Stop-N-Go | 6/27/74 | 144 | 49,102 | 38,914,172 | 793 | 997,859 | 504,859 | 1.30 | 20.32 | 10.28 |
| Con. Ind. | 5/26/74 | 174 | 62,236 | | | 1,158,000 | 636,900 | | 18.60 | 10.23 |
| Dillon | 6/29/74 | 182 | 62,244 | 42,570,972 | 684 | 991,309 | 539,768 | 1.27 | 15.92 | 8.67 |
| Natl. Con. | 6/30/74 | 808 | 265,436 | 146,029,000 | 550 | 3,795,000 | 2,236,000 | 1.53 | 14.30 | 8.42 |
| Li'l General | 12/29/73 | 527 | 188,715 | 82,366,000 | 436 | 2,555,300 | 1,277,650 | 1.55 | 13.54 | 6.77 |
| Munford | 1/ 3/74 | 1,246 | 427,301 | 198,523,846 | 404 | 4,289,435 | 2,430,042 | 1.22 | 10.04 | 5.69 |
| Totals | | 10,047 | 3,484,238 | $2,005,468,498 | $586 | $69,129,543 | $36,200,488 | 1.77% | $19.84 | $10.38 |

## DOLLARS PER DAY SURVEY - FIFTH ANNUAL REPORT 1975
### Convenience Store Industry Ranked By Profit Per Day

| Company | Year Ended | Stores | Store Days | Convenience Store Sales | Avg. Sales Per Day Per Store | Pretax Profit | After Tax Profit | After Tax Profit as % of Sales | Profit Per Day Pretax | Profit Per Store After Tax |
|---|---|---|---|---|---|---|---|---|---|---|
| Li'l Champ | 5/ 3/75 | 94 | 32,270 | $ 17,447,409 | $541 | $ 1,178,177 | $ 621,543 | 3.56% | $36.50 | $19.26 |
| Shop & Go | 3/31/75 | 240 | 74,860 | 49,967,000 | 667 | 2,718,806 | 1,437,009 | 2.88 | 36.31 | 19.19 |
| Sunshine Jr. | 12/31/74 | 215 | 71,923 | 36,485,504 | 507 | 2,214,055 | 1,173,446 | 3.21 | 30.78 | 16.31 |
| Hop-In | 6/30/75 | 36 | 11,502 | 8,778,135 | 763 | 347,617 | 206,726 | 2.36 | 30.22 | 17.97 |
| UtoteM | 2/28/75 | 922 | 307,410 | 153,883,813 | 501 | 7,865,006 | 4,247,100 | 2.75 | 25.58 | 13.82 |
| Southland | 12/31/74 | 5,171 | 1,820,075 | 1,289,000,000 | 708 | 46,326,044 | 23,000,246 | 1.78 | 25.45 | 12.64 |
| Circle K | 4/30/75 | 1,024 | 359,746 | 228,325,795 | 634 | 9,051,035 | 4,718,035 | 2.06 | 25.15 | 13.11 |
| Con. Ind. | 5/25/75 | 218 | 71,344 | 68,276,208 | 957 | 1,353,000 | 677,853 | .99 | 18.96 | 9.50 |
| Li'l General | 12/28/74 | 550 | 196,014 | 93,073,758 | 474 | 2,921,742 | 1,460,871 | 1.57 | 14.90 | 7.45 |
| Munford | 1/ 2/75 | 1,348 | 472,108 | 199,984,440 | 423 | 5,671,129 | 3,151,633 | 1.58 | 12.01 | 6.68 |
| Stop-N-Go | 6/26/75 | 168 | 56,784 | 49,612,731 | 874 | 486,174 | 244,174 | .49 | 8.56 | 4.30 |
| Natl. Con. | 7/30/75 | 801 | 292,365 | 196,226,000 | 671 | 1,717,000 | 1,259,000 | .64 | 5.87 | 4.30 |
| Dillon | 6/28/75 | 188 | 67,340 | 50,557,217 | 751 | (724,916) | (395,659) | | (10.76) | (5.87) |
| Totals | | 10,975 | 3,833,741 | $2,441,618,010 | $636 | $81,124,869 | $41,801,977 | 1.71% | $21.16 | $10.90 |

** The 1975 Pretax earnings of Hop-In have been restated and lowered by $144,743. This lowers their pretax dollars per day to $17.64 and drops their 1975 ranking form 4th to 9th place in the Survey.

## SIXTH ANNUAL REPORT DOLLARS PER DAY SURVEY
### The Small Store Industry Ranked By Profit Per Day

| Company | Year Ended | Stores | Store Days | Convenience Store Sales | Avg. Sales Per Day Per Store | Pretax Profit | After Tax Profit | After Tax Profit as % of Sales | Profit Per Day Pretax | Profit Per Store After Tax |
|---|---|---|---|---|---|---|---|---|---|---|
| Shop-N-Go | 3/31/76 | 285 | 95,160 | 60,780,000 | $639 | $ 3,135,236 | $ 1,649,832 | 2.71% | $32.94 | $17.34 |
| Lil' Champ | 5/31/75 | 100 | 35,308 | 18,807,395 | 532 | 1,136,851 | 592,056 | 3.15 | 32.19 | 16.76 |
| Southland | 12/31/75 | 5,579 | 1,962,079 | 1,434,000,000 | 731 | 58,956,501 | 29,418,246 | 2.05 | 30.04 | 14.99 |
| Hop-In | 6/30/76 | 76 | 17,538 | 11,466,085 | 653 | 453,562 | 280,562 | 2.44 | 25.86 | 15.99 |
| Sunshine Jr. | 12/31/75 | 236 | 82,318 | 43,056,065 | 523 | 2,072,296 | 1,089,820 | 2.53 | 25.17 | 13.23 |
| Circle K | 4/30/76 | 1,049 | 379,359 | 262,362,278 | 691 | 9,482,317 | 5,122,317 | 1.95 | 24.99 | 13.50 |
| UtoteM | 12/29/76 | 998 | 351,360 | 192,499,000 | 548 | 7,576,483 | 4,128,425 | 2.14 | 21.56 | 11.75 |
| Natl. Con. | 6/30/76 | 743 | 271,938 | 212,606,000 | 782 | 4,922,000 | 2,652,000 | 1.25 | 18.09 | 9.75 |
| Dillon | 7/ 3/76 | 186 | 69,006 | 57,810,661 | 838 | 1,115,002 | 630,311 | 1.09 | 16.15 | 9.13 |
| Con. Ind. | 5/30/76 | 252 | 87,202 | | | 1,376,000 | 745,654 | | 15.77 | 8.55 |
| Li'l General | 12/27/75 | 561 | 202,202 | 97,092,000 | 480 | 2,720,033 | 1,360,016 | 1.40 | 13.45 | 6.72 |
| Munford | 1/ 1/76 | 1,408 | 501,592 | 207,602,360 | 414 | 5,575,010 | 3,129,510 | 1.51 | 11.11 | 6.23 |
| Stop-N-Go | 5/31/76 | 169 | 57,290 | 52,133,092 | 910 | (31,213) | 68,787 | | ( .54) | 1.20 |
| Totals | | 11,642 | 4,112,352 | $2,650,214,936 | $658 | $98,490,078 | $50,867,536 | 1.92% | $23.94 | $12.36 |

## SEVENTH ANNUAL DOLLARS PER DAY SURVEY

### The Small Store Industry Ranked by Profit Per Day Per Store

| | Company | Year Ended | # of Stores | Store Days | Convenience Store Sales | Average Sales Per Store Per Day | Pre Tax Profit | After Tax Profit | After Tax Profit As % of Sales | Profit Per Day Per Store Pre Tax | Profit Per Day Per Store After Tax |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Circle K | 4/30/77 | 1,070 | 386,728 | $302,602,439 | $782 | $12,911,749 | $6,911,741 | 2.28% | $33.39 | $17.87 |
| 2. | Lil' Champ | 4/30/77 | 108 | 37,964 | 21,006,000 | 553 | 1,228,696 | 647,256 | 3.08 | 32.36 | 17.04 |
| 3. | Southland | 12/31/76 | 5953 | 2,110,356 | 1,715,000,000 | 813 | 67,931,941 | 33,952,383 | 1.98 | 32.19 | 16.09 |
| 4. | Shop & Go | 3/31/77 | 342 | 114,456 | 70,136,000 | 613 | 3,095,910 | 1,655,171 | 2.36 | 27.04 | 14.46 |
| 5. | Dillon | 7/2/77 | 185 | 67,340 | 63,364,880 | 941 | 1,796,186 | 1,000,476 | 1.58 | 26.67 | 14.85 |
| 6. | National Convenience | 6/30/77 | 722 | 263,530 | 233,208,000 | 885 | 6,742,000 | 3,536,000 | 1.52 | 25.58 | 13.41 |
| 7. | Sunshine Jr. | 12/31/76 | 261 | 90,715 | 53,470,953 | 589 | 2,209,054 | 1,175,850 | 2.20 | 24.35 | 12.96 |
| 8. | Hop-In | 6/30/77 | 92 | 30,668 | 19,165,006 | 625 | 650,177 | 394,177 | 2.06 | 21.20 | 12.85 |
| 9. | UtoteM | 2/28/77 | 965 | 352,225 | 206,041,000 | 585 | 5,220,922 | 2,819,296 | 1.37 | 14.82 | 8.00 |
| 10. | Convenient Industries | 5/29/77 | 269 | 98,432 | | | 1,436,000 | 783,912 | | 14.59 | 7.96 |
| 11. | Mini Mart | 8/31/76 | 122 | 44,286 | 21,286,797 | 480 | 396,051 | 241,069 | 1.13 | 8.94 | 5.44 |
| 12. | Li'l General | 12/25/76 | 554 | 201,656 | 103,241,000 | 512 | 1,637,912 | 818,956 | .79 | 8.12 | 4.06 |
| 13. | Munford | 12/30/76 | 1310 | 476,840 | 210,905,100 | 442 | 2,449,020 | 1,747,770 | .83 | 5.14 | 3.67 |
| Totals | | | 11,953 | 4,275,196 | $3,019,427,175 | $723 | $107,705,618 | $55,684,057 | 1.84% | $25.19 | $13.02 |

## EIGHTH ANNUAL DOLLARS PER DAY SURVEY

## The Small Store Industry Ranked by Profit Per Store Per Day

| $DPD Ranking | Company | Year Ended | # of Stores | Store Days | Convenience Store Sales | Average Sales Per Store Per Day | Pre Tax Profit | After Tax Profit | After Tax Profit As % of Sales | Profit Per Store Per Day Pre Tax | Profit Per Store Per Day After Tax |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Dillon | 7/1/78 | 284 | 82,754 | $ 93,843,079* | $1,134 | $ 3,438,839 | $ 1,902,366 | 2.02% | $41.55 | $22.99 |
| 2. | Circle K | 4/30/78 | 1,105 | 396,920 | 283,683,000 | 714 | 15,409,000 | 8,189,000 | 2.88 | 38.82 | 20.63 |
| 3. | Southland | 12/31/77 | 6,357 | 2,246,373 | 1,890,000,000 | 841 | 80,233,200 | 40,456,600 | 2.14 | 35.71 | 18.00 |
| 4. | Li'l Champ | 4/28/78 | 122 | 41,860 | 23,006,369 | 550 | 1,399,931 | 777,519 | 3.38 | 33.44 | 18.57 |
| 5. | National Convenience | 6/30/78 | 725 | 264,076 | 214,704,000 | 813 | 8,545,000 | 5,011,000 | 2.33 | 32.35 | 18.98 |
| 6. | Shop & Go | 3/30/78 | 371 | 129,766 | 82,729,120 | 637 | 4,183,767 | 2,271,269 | 2.74 | 32.24 | 17.50 |
| 7. | Hop-In | 6/30/78 | 112 | 37,220 | 24,640,507 | 662 | 1,043,174 | 658,474 | 2.67 | 28.02 | 17.69 |
| 8. | Sunshine Jr. | 12/31/77 | 288 | 100,179 | 46,815,473 | 467 | 2,431,808 | 1,356,944 | 2.90 | 24.27 | 13.54 |
| 9. | Convenient Industries | 5/28/78 | 285 | 100,828 | 129,600,000 | 1,200 | 2,013,395 | 1,147,545 | .89 | 19.96 | 11.38 |
| 10. | UtoteM | 2/28/78 | 928 | 338,720 | 221,423,000 | 654 | 6,029,594 | 3,432,681 | 1.55 | 17.80 | 10.13 |
| 11. | Li'l General | 12/31/77 | 541 | 200,711 | 116,582,000 | 581 | 2,350,109 | 1,175,055 | 1.00 | 11.70 | 5.85 |
| 12. | Mini Mart | 8/31/77 | 128 | 45,622 | 21,956,283 | 481 | 234,071 | 142,071 | .65 | 5.13 | 3.11 |
| 13. | Munford | 12/29/77 | 128 | 45,622 | 21,956,283 | 481 | 234,071 | 142,071 | | ( 9.42) | |
| Totals | | | 12,597 | 4,469,331 | $3,360,383,831 | $ 751 | $122,750,228 | $66,520,524 | 1.98% | $27.47 | $14.88 |

*Gasoline included in these sales

**NINTH ANNUAL DOLLARS PER DAY SURVEY**
**The Small Store Industry Ranked by Profit Per Store Per Day**

| DPD Ranking | Company | Year Ended | # of Stores | Store Days | Convenience Store Sales* | Average Sales Per Store Per Day | Pre Tax Profit | After Tax Profit | After Tax Profit as a % of Sales | Profit Per Store Per Day Pre Tax | Profit Per Store Per Day After Tax |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Circle K | 4/30/79 | 1,158 | 412,971 | $ 330,159,000 | $ 799 | $19,628,000 | $10,678,000 | 3.23% | $47.53 | $25.85 |
| 2. | Shop & Go | 3/29/79 | 379 | 136,500 | 93,715,984 | 687 | 5,965,639 | 3,087,285 | 3.29 | 43.70 | 22.62 |
| 3. | Dillon | 6/30/79 | 305 | 107,198 | 143,298,176* | 1,337* | 4,484,469 | 2,575,879 | 1.80* | 41.83 | 23.85 |
| 4. | Southland | 12/31/78 | 6,599 | 2,364,349 | 2,247,270,000 | 950 | 96,433,057 | 48,852,986 | 2.17 | 40.79 | 20.66 |
| 5. | Lil' Champ | 4/28/79 | 130 | 45,864 | 24,955,896 | 544 | 1,707,439 | 945,170 | 3.79 | 37.23 | 20.61 |
| 6. | National Convenience | 6/30/79 | 806 | 268,350 | 246,679,510 | 919 | 9,779,000 | 6,005,000 | 2.47 | 36.52 | 22.37 |
| 7. | Convenient Industries | 5/27/79 | 316 | 109,382 | 156,529,000 | 1,431 | 2,796,597 | 1,523,097 | .97 | 25.56 | 13.92 |
| 8. | Hop-In | 6/30/79 | 132 | 44,520 | 31,781,685 | 714 | 1,126,400 | 716,500 | 2.25 | 25.30 | 16.09 |
| 9. | Sunshine Jr. | 12/31/78 | 316 | 110,216 | 51,795,784 | 470 | 2,483,717 | 1,373,992 | 2.65 | 22.53 | 12.47 |
| 10. | Li'l General | 12/30/78 | 515 | 187,460 | 127,966,000 | 683 | 2,946,850 | 1,473,425 | 1.15 | 15.72 | 7.86 |
| 11. | UtoteM | 2/28/79 | 934 | 339,812 | 247,825,000 | 729 | 5,117,448 | 3,479,492 | 1.40 | 15.06 | 10.24 |
| 12. | Mini Mart | 8/31/78 | 119 | 43,435 | 24,530,000 | 565 | 109,346 | 72,896 | .29 | 2.52 | 1.68 |
| 13. | Munford | 12/28/78 | 1,211 | 440,804 | 233,174,000 | 529 | (344,000) | | | ( .78) | |
| Totals | | | 12,920 | 4,610,861 | $3,959,680,035 | $ 859 | $152,233,962 | $80,783,722 | 2.04% | $33.02 | $17.52 |

*Gasoline included in Dillon sales

## Stores Owned by Other Publicly-Owned Companies

For your information we've included some information from the annual reports of other publicly owned companies that operate small food store operations. The annual reports of these corporations do not break out their store operations in sufficient detail to allow for Dollars Per Day analysis. We've included some material from their annual reports that you may find of interest. These companies operate the following units.

| Company | Name of Stores | # of Stores 8th Survey | # of Stores 9th Survey | # of Stores This Survey |
|---|---|---|---|---|
| Consolidated Food | Lawson's | | 730 | 722 |
| Jewel | White Hen Pantry | 216 | 217 | 234 |
| Sigmor | Shopping Stations | 200+ | 240 | 350 |
| Marsh | Village Pantries | 98 | 109 | 118 |
| Knudsen | Hoagy's Corner | 47 | 53 | 40 |
| Ashland Oil, Inc. | Super America<br>Save Mart | | | 253 |
| Silverwood Industries Limited | Mac's | | | 631 |
| Clabin Corporation* | Isaly Delis | | | 121 |
| Scot Lad | Convenient Food Mart<br>Includes operations of<br>50 regional franchises | | | 860 |
| 7-Eleven Japan Co. | 7-Eleven | | | 710 |
| Total stores | | 561 | 1,349 | 4,039 |

*Also owned 24.3% of General Host as of 1/31/80.

## American Financial Corporation

American Financial Corporation is a major diversified financial company whose subsidiaries engage in businesses which provide a wide range of services to meet financial needs. In the past few years, it has taken a strong ownership position in several of the major, publicly owned small store chains. It has an ownership interest in UtoteM, Circle K, and in National Convenience Stores.

| Company | 9th Survey # of Stores | 9th Survey Ownership |
|---|---|---|
| Fairmont (UtoteM) | 934 | 25.5% |
| Circle K | 1,158 | 5.2% |
| National Convenience | 806 | 24.3% |
| Total number of stores | 2,898 | |

| Company | 10th Survey # of Stores | 10th Survey ownership |
|---|---|---|
| Fairmont (UtoteM) | 927 | 100% 7-24-80 |
| Circle K | 1,200 | 8.23% |
| National Convenience* | 817 | 24.4% |
| Total number of stores | 2,944 | |

*Circle K owns 6.9% of National Convenience

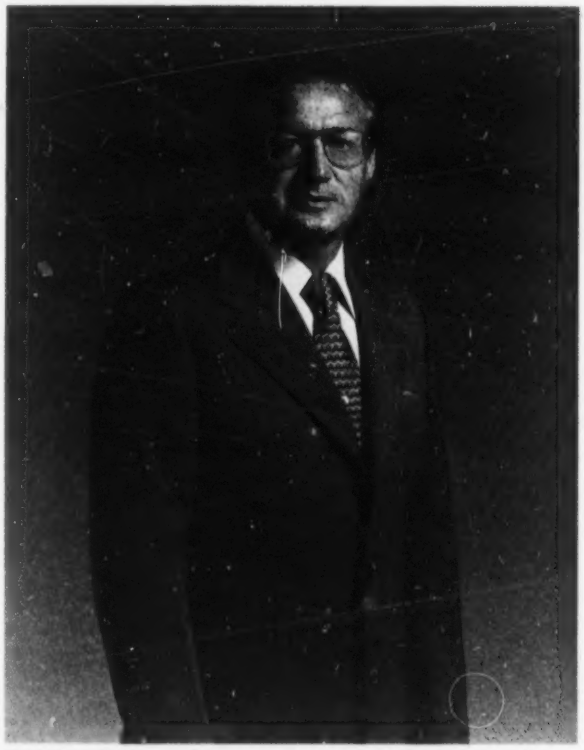
Excerpt from the Annual Report of Scot Lad Foods, Inc., June 30, 1979

Anthony J. Conti (pictured right), a Director and Vice President of Scot Lad, is the Chairman of the Board, President and Chief Executive Officer of Convenient Food Mart, Inc., a 50% owned affiliate of the Company which today is a recognized leader in average store sales in the convenience store industry.

The nation-wide Convenient Food Mart system now encompasses over 860 stores in sixty territories being developed by fifty regional franchisees. Its image is that of a modern, bright, clean, well stocked, conveniently located store owned and managed by a courteous and cheerful family.

Scot Lad is not just a food wholesaler, it is an exciting concept of full service, coupled with the management's total dedication to product and service quality and a responsiveness to individual customer needs.

Thus, the portrait of the day-to-day operations at Scot Lad is one colored with pride and accomplishment. It is through the dedication of Scot Lad employees that the Company's leadership position is being reestablished. Scot Lad recognizes that its most valuable asset is its employees and remains committed to enhance their living and working environments.



Anthony J. Conti, Director and Vice President

## American Financial Corporation and Consolidated Subsidiaries

Also, our acquisition of Fairmont Foods was completed with the approval of Fairmont Shareholders at a Special Meeting held July 24, 1980. Fairmont, based in Houston, operates nearly 1,000 self-service convenience food stores and produces and distributes dairy and snack foods.

Excerpt from the Annual Report of Consolidated Foods, December 29, 1979

Lawson's convenience food store chain is also undergoing a store expansion program costing over $3.8 million for equipment in 1980. The plan calls for the addition of 70 new stores this year, bringing the number of the stores in the Ohio-based chain to 757 by fiscal year end. Additionally, a major program is planned to remodel the existing stores. The aim is to achieve a modern, uniform look among Lawson's stores and apply the latest merchandising techniques in convenience retailing. New signs and interior color schemes are being used. The new average store, with 2,500 square feet, will have doubled capacity in the medium temperature cooling case which holds beverages and other similar items.

Excerpt from the Annual Report of Jewel Companies, Inc., February 2, 1980

White Hen Pantry convenience stores had an outstanding year in 1979 with an operating earnings increase of 30% over 1978 on a 17% retail sales increase. 234 stores were operating at year-end, an increase of 18 during the year. White Hen franchisees also enjoyed a record year as their average franchise earnings increased to $35,000 from $31,000 in 1978. By any known measurements, White Hen Pantry is one of the best managed and best performing convenience store chains in the country.

Mass Feeding Corporation experienced good growth in the Fall of 1979 with outstanding success in bidding for school lunch business. Despite a relatively weak first half, earnings from operations during 1979 were up 72% on a 17% sales increase.

Excerpt from the Annual Report of the Clabir Corporation, January 31, 1980

Our second food service segment includes our Isaly Deli convenience stores and our ice cream manufacturing and distribution operations. Led by our burgeoning Klondike business, this segment achieved sales of $24,033,000 and operating income of $719,000 in fiscal 1980. Prior year sales were $20,178,000 and operating income was $354,000.

Our Isaly Delis have long been a Pittsburgh institution. Our 51 company owned units and approximately 70 franchised units are well recognized in western Pennsylvania, eastern Ohio and West Virginia. Chipped ham, Klondikes, and Isaly ice cream are signature items which have been central to our Deli business for many years. A marketing survey which we recently conducted confirmed that our customers still identify Isaly products as quality products. However, it appears that as consumer disposable personal income has been eroded by those factors discussed under restaurant operations, many of our regular customers have gone elsewhere, opting for price versus quality. Changing traffic patterns, extensive new deli departments in supermarkets and a substantial increase in the number of competitor-owned convenience stores have also contributed to declining sales. Despite new initiatives in marketing, we cannot expect an early reversal of this trend. We closed six unprofitable units during the year and renovated a number of units. We will continue both of these programs this year.

P. O. Box 20267 San Antonio, Texas 78220 512-223-2631 TWX 910-871-1110 Sigmor SNT

Sigmor Corporation

May 19, 1980

FOR IMMEDIATE RELEASE
For further information please contact:
Robert J. Boerner
512/223-2631

NEWS RELEASE

SIGMOR BECOMES BILLION-DOLLAR COMPANY

SAN ANTONIO -- San Antonio-based Sigmor Corporation, the nation's largest independent gasoline retailer, became a billion-dollar company last month when revenues for the current fiscal year passed the $1,000,000,000 mark.

In addition to Sigmor, Tesoro Petroleum and Commonwealth Refinery are the only other San Antonio-headquartered publicly held companies to reach this plateau.

In the 1979 fiscal year, Sigmor set company records with revenues of $781-million, but FY 1980 has seen even greater growth, according to Sigmor founder and president Tom E. Turner, Sr.

"We passed $1-billion in revenues and still have two months to go in this fiscal year," Turner said. "This last 12-month period has seen Sigmor move into the ranks of major American corporations."

Some highlights of those 12 months:

* Sigmor stock split 2-for-1 in July, 1979.

* In September, the company announced 1979 annual earnings of $20.7 million, a 55% increase over FY 1978 and the most profitable year in Sigmor history.

* Sigmor made history November 21 by introducing its "White Lightning" brand of gasohol to greater San Antonio in 100 Sigmor stations. It was and is one of largest commitments to the alternative fuel anywhere in the United States. ("White Lightning" has since been introduced into the Austin and Corpus Christi markets.)

* Plans were announced by Sigmor January 21, 1980, to begin construction of an $80-million fluid catalytic cracking complex at its Three Rivers refinery. That addition, when completed, will allow Sigmor to expand the refinery's production to 40,000,000 gallons of gasoline per month.

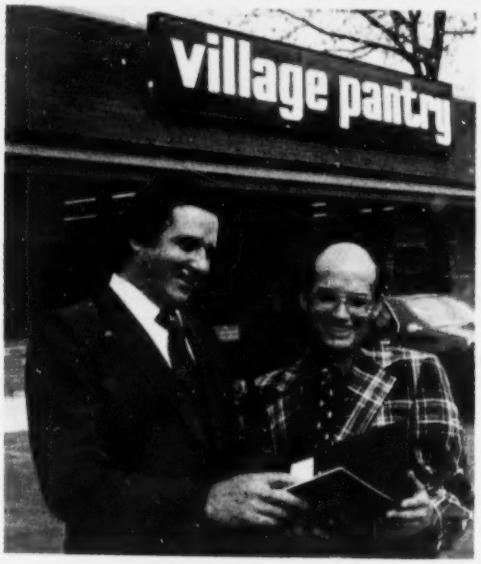
* Sigmor's revenues for nine months ending March 31, 1980, totalled nearly $940-million, with net income of $38-million -- both revenues and income were annual records achieved in only nine months.

Today, Sigmor Corporation, owns approximately 600 retail gasoline outlets in 18 states. including 450 in Texas and Louisiana selling "Shamrock" branded gasoline and 150 "Fill-Em Fast" outlets in 16 other states. In addition to gasoline retailing and refining, Sigmor's energy-related businesses include petroleum exploration, ownership and operation of pipelines and operation of a trucking company which primarily transports petroleum and chemical products. The company also owns two petroleum finished products storage terminals -- one in San Antonio, and the other a deep-water facility in Corpus Christi -- with a combined capacity of 500,000 barrels. The Company also markets new and used pipe, operates a metal fabrication company, and owns six radio stations.

Excerpt from the Annual Report of Marsh Supermarkets, March 29, 1980

## *Village Pantry Convenience Stores*

Forecasters of the food business in the 1980's are quick to admit there is no single retail concept that will satisfy all segments. One of the many concepts with a healthy future, Marsh believes, is the convenience store. A very successful example is Marsh's Village Pantry Division, which now numbers 118 stores. Key in this success is the recognition that convenience stores, with limited shelf and storage space, require special stocking. Quick-stop shopping is successful only if customers find the items they need. Village Pantry shoppers are offered a complete selection of such day-to-day foods as milk and bread as well as snacks, drinks and general merchandise sometimes needed on short notice. The Village Pantry system now has available to the retail units less-than-one-case ordering of over 300 key items. This means customers can enjoy a surprisingly wide variety of available items in the compact, convenient Village Pantry Stores. At 53 stores, customers can save time and money by filling their gas tanks at self-service pumps. Ron Walicki serves as Director of the Division.




Ron Walicki and Village Pantry Store Manager, Allan Scott, discuss the training program initiated to assist store personnel in preparing and selling ready-to-eat food.

Excerpt from the Annual Report of the Knudsen Corporation, December 31, 1979

### National Fast Foods, Inc.

**Knudsen has long believed that the growing trend in away-from-home eating could be further cultivated if joined with the popular appeal of neighborhood convenience stores.**

**The Hoagy's Corner™ concept is designed to do just that: offer freshly-prepared food for on-premises eating and provide a selected line of convenience grocery and dairy products.**

**Knudsen's subsidiary, National Fast Foods, operated a total of 43 Hoagy's Corner™ stores at the start of 1979. These units were located in California, Nevada, Arizona, and Washington.**

**After conducting extensive research throughout the year on the joint deli/convenience store concept, management defined an ideal model upon which all stores should be patterned. The model is based on several proven factors including location, traffic patterns, population, and household income for the area.**

**An analysis of all existing store sites in 1979 indicated that many did not meet the requirements of the newly-devised model. As a result, three unprofitable units were disposed of during the year and more dispositions are planned for 1980.**

**The closure of marginal stores will facilitate the future expansion of National Fast Foods in proven geographic markets. One such market is the Pacific Northwest, where four new stores were opened in 1979 and are operating successfully. A total of 17 Hoagy's Corner™ stores are planned for this region by the close of 1980.**

Excerpt from the Annual Report for
Silverwood Industries, December 30, 1979

# Mac's

**We've taken everything we know about the business and put that knowledge to work for us. The result? A record year and exciting new concepts for the decade ahead.**

Despite unprecedented competition from Canadian and American operations and the escalation of real estate, energy, operating, government and capital costs, Mac's leadership position continued in 1979. We experienced record sales of $189,093,616 - an increase of $22,383,319 or 13.4% over 1978. It was, as they say, a very good year.

During the year, we opened 52 new locations, introduced an innovative new store layout and a promising fast-food program, entered the Saskatchewan market, strengthened our organization at all levels in terms of talent and training, lengthened store hours, changed products and space utilization in line with consumer trends, established more intensive market coverage by field representatives and used the persuasive power of media advertising to build business. At the end of 1979, sales, profits and return on investment were at the highest level ever in the company's history.

As the year went, so did the decade. The facts speak for themselves. In 1970, Mac's had 282 stores. In 1979, the Mac's network totalled 631 - an increase over 1970 of 123.8%. A decade ago, we operated in four provinces - Ontario, Manitoba, Alberta and B.C. Today, the Mac's sign welcomes customers in Quebec and Saskatchewan, too - giving us virtually coast-to-coast coverage. Total sales for 1970 were $40,088,252... for 1979, $189,093,616 - an increase of 371%.

Some of the highlights of record-breaking 1979 are worth examining in greater detail. Sales growth per square foot, per store and in total, outpaced inflation, thanks to an approach which was responsive to the current and anticipated needs of the consumer. This attention was focused in many different ways - from stocking our shelves with the products we know people want to lengthening our store hours to keep pace with changing consumer lifestyles. Virtually all Mac's outlets are now open from 7 am to midnight, 7 days a week. A convenience store is, after all, people serving people - and customer loyalty depends now more than ever on how we respond to their puchasing needs.

Undoubtedly, a highlight of the year was the market testing and regional roll-out of the new Mac's store design and, at about the same time, the new Mac's Snacks fast-food program. Both are key to the company's future progress. Of the 52 new locations opened in 1979, approximately 42 were styled with Mac's new "look." The store glows invitingly behind a vast expanse of unobstructed glass. Once inside, the customer can see many differences. Angled aisles have replaced the old "straight down" aisles and they have been strategically placed to help divide the store into four distinct merchandising zones - fast foods, family snacks, groceries and non - foods. Moreover, the new aisles gently urge the customer to move in predetermined directions, for more effective merchandising.

Space utilization in the new Mac's store is based on painstaking research over a considerable period of time; we've taken everything we know about the convenience store business and put that knowledge to work for us. It's worth noting, too, that conversion of existing outlets to the new design was undertaken with minimal disruption to business. Conversion took place almost overnight - equipment changes, remodelling, repainting - with business as usual the following day.

In the new Mac's, close to the better-positioned security check-out, is a special new section called Mac's Snacks. This fast-food counter, which offers a range of breakfast to bedtime sandwiches, makes a hot fast snack microwave - easy and it's now in place in 105 of our stores, principally in southwestern Ontario and in Edmonton, Alberta. More will be introduced on a market by market basis over the next twelve to eighteen months, until all stores have the program in operation. Although Mac's Snacks made only a minimal contribution to overall sales and profits in its introductory year, 1979, the future impact in broadening our consumer appeal is most exciting.

Our operation in the province of Quebec continues to progress. Concentrated focus on rationalizing our Quebec operation generated substantial sales increases per store throughout 1979.

The company's performance in 1979 - indeed, over the past decade - has been particularly satisfying in light of unprecedented competition for real estate locations and for market share within the industry. Satisfying because Mac's is, essentially, a people-oriented business.

The Mac's store operator is an independent business person who is able with the company's resources, to compete much more successfully within the highly competitive food retail industry. Mac's gives these individual entrepreneurs the opportunity to progress with the knowledge that they have, at all times, the resources, flexibility and know-how of the organization to back them up. In the face of fierce competitive activity, Mac's network of independent operators has had remarkable success, which is a tribute to them and their enterprise.

Mac's Convenience Stores enters the Eighties as an industry leader with a commitment to continued innovative leadership, and with an awareness of some areas of risk in the new decade. The risks are those faced by many businesses today. The energy crisis will affect store operating costs, the cost of our distribution to stores and our suppliers' cost of production. Competition for the consumer's dollar will increase. Inflation will continue, affecting customers and operating costs.

Risks there are, but these are counterbalanced by many positive trends which can only help our business, trends which are fundamental and common to all parts of the country.

These socio-economic trends include more working women, more single person households, more people on the move and eating away from home, an expanding leisure time society and escalating gasoline costs which make the local Mac's a better value to the consumer than ever. In 1980 and over the next decade, Mac's intends to capitalize on these trends, responding to present and future consumer demands as we have responded so successfully in the past.

In 1980, our capital plans reflect a confidence in Canada, in the Mac's concept and in our employees and store operators. We shall continue the new store roll-out and the Mac's Snacks program - and we plan to test market some other exciting concepts, too. These include frozen carbonated beverage expansion to Ontario, small in-store bakeries at selected Mac's outlets, take-out fast food such as pizza or fried chicken, 24-hour photo processing and the testing of what we call Mac's Plus...a prototype store that offers more than Mac's has offered in the past - a cluster of services, such as a delicatessan, bakery, wine store and dry cleaning outlet. 1980 capital expenditures within the Mac's organization are planned at the highest level ever - $8.1 million. Which is, we think, indicative of realistic enthusiasm and confidence not only for the new year but also for the new decade.

The following information on 7-Eleven Japan Co. has been taken from a report on that company by Kikko Securities Co., Ltd. Tokyo, Japan.

## Recommendation

The 7-Eleven Japan Co. (hereinafter "7-Eleven") is a 62%-owned subsidiary of Ito-Yokado (one of the major supermarket chains in Japan) and the first successful convenience store chain in Japan. 7-Eleven now operates 710 such stores, either directly or through franchise, under a license agreement with Southland Corporation of Dallas.

The 710 stores were opened during the past five years, starting with the first one in April 1974, and some 200 more stores will be opened this fiscal year, with 250 to 300 stores in each of the next several fiscal years. Based on this, revenues and net income will increase by 40% and 50% respectively in fiscal 1979 (ending February 1980), and we believe that 7-Eleven's revenues and net income will grow 25-30% annually for at least the coming three years.

7-Eleven shares were recently listed on the Tokyo Stock Exchange (October 15, 1979) and drew immediate investor attention because of the company's extraordinarily fast business growth since its establishment.

We therefore recommend purchase of 7-Eleven shares at current price levels for their great price appreciation potential stemming from the company's already established growth and its future potential.

## Operating Method

7-Eleven stores feature longer business hours - from 16 to 24 per day; 3,000 to 3,500 items of daily necessities such as food, liquor, cigarettes, toilet articles, and periodicals; convenient and easily accessible locations in neighborhood areas; and small-sized stores with 70 to 150 square meters of sales floor space. Most of these stores are open from 7:00 a.m. to 11:00 p.m., although some 20% of all 7-Eleven stores stay open 24 hours a day. The stores directly operated by 7-Eleven also serve as training centers for new franchisees, as well as "pilots" to constantly examine and improve operating methods, inventory controls, selling techniques, and adjustment of products carried to match different locations, population types, and local customer buying habits. The self-service feature in all 7-Eleven stores encourages customer purchase selection as well as "impulse" buying, while the standard, easily recognized store facade (cf. MacDonald's or KFC) promotes instant indentification anywhere.

# EDITORIAL COMMENTS

This is the 10th year that I've prepared the Dollars Per Day Survey of the Small Food Store Business. As I read the financial statements of the companies in the Survey, I was impressed with the accomplishments reported. As I reduced the figures to a dollars per store per day basis, I was impressed with the growth of the figures from the 1971 report. In that year, Circle K won 1st place with a pre tax dollar profit of $33.29. Ten years later they earned $73.47 per store per day in pre tax profit. The surveyed companies as a whole earned $14.45 in 1971, and more than doubled that amount, to earn $38.18 per store per day in 1980. Not a bad showing.

Unfortunately, the above figures don't tell the whole story. No clear perspective of the business can be obtained without factoring in the effects of inflation on currently reported figures. When Circle K's 1980 figures are adjusted for inflation, the $DPD is $37.56 in 1971 dollars. The overall average of the chains in the survey is reduced to $19.51 $DPD.

These results don't appear nearly as impressive. When they are adjusted for inflation to 1971 dollars, there has been little real growth. Though some chains have, of course, beaten the averages; the results, particularly the sales results, when analyzed in 1971 dollars, show an alarming decrease. Each operator needs to compute and analyze his own figures to try to understand how inflation has affected his marketing position.

**Important Events of the Past Ten Years:**

In looking back over the past ten years, the following items appear to be the most significant:

1. *Inflation:* It takes 1.956 1980 dollars to have one 1971 dollar.

2. *Gasoline:* A badly mismanaged margin dollar tool. On the basis of the results to date, the average food store operator would do better to increase store sales by $100 per store per day. A weak store program and a poor gasoline program don't combine to make a strong value statement to the consumer.

3. *Extended Hours:* Many companies now operate a majority of their stores on a 24 hour basis. These extended hours have added to average daily sales. Sales are better, but operating costs also become greater when operating hours are extended. If the difference between 1971 and 1980 11 p.m. to 7 a.m. sales are eliminated from total sales, the average chain has probably suffered a sales decline of about 20% in terms of 1971 dollars.

4. *Oil companies and oil jobbers entry into the C-Store business:* Convenience sales go to the nearest outlet. When there are more outlets, the sales average of the outlets declines. Most of the units I've observed appear to be very marginal. Unless oil companies put their name and reputation behind each individual store there probably won't be many survivors.

5. *Growth:* Note the balance between store openings and closings in this report. The rate of store growth has declined and we will soon see a year when the chains in the survey close more stores than they open. The 10%-15% growth rates of the early years of the Survey dropped to 3% this year. It's not saturation that's causing the decline; it's the weakness of the concept. Convenience shopping will not pay the costs of today or tomorrow.

6. *The Mood of the Consumer:* The retailing environment has changed. Less goods for more money is a debilitating retail philosophy in an environment that is concerned with a diminishing standard of living. Operators need to rethink their approach to the consumer.

**How do you assess a Small Food Store Company:**

It's a tough exercise. Changing costs, perceptions, values, and conditions make it more difficult than ever to adequately assess the true status of these companies. In the long run the customer is king and patronizes those stores that best fill his needs. Their actions are reflected in

the figures that eventually will appear in annual statements.

Because of the acceleration of change, most annual statements do not reflect the true status of many companies. In a few companies the underlying assets are of more value than the operating company. In most companies a slick annual report masks some large basic problems.

No company today can be analyzed without looking both at the annual statement and at the operations of that company. I'd advise you to visit the store units and decide for yourself if their store operations make sense.

**Here are some of the things to consider:**

1. *How are the Stores:* As a customer, would you choose this unit over other buying alternatives in the market. What's the general appearance of the store? If you lived in this neighborhood would you or your family spend $100 a month in this store? How does this store compare with the philosophy outlined in the annual report? Would you be proud to own this store?

2. *Inventory Quality:* How is the inventory valued? How many dollars of inventory can't be sold for over 3 months? How many dollars of inventory can't be sold at the price marked on the goods? How many dollars would this be if multiplied by every store in the company?

3. *Store Conditions:* Real Estate and Equipment: What would it cost to repair everything that is broken or damaged in this store? Is the equipment or the premises outdated? Does it appear that the policy of the chain is to repair and maintain things in first class condition, or are costs being deferred to the future?

4. *Real Estate Ownership:* Does the company own its real estate? Why not? What would be the effect on operating results if the company had to amortize its occupancy costs at today's replacement prices? How long before it must do this?

5. *Employee Motivation Package:* Are the employees being paid wages comparable with other legitimate retail operations in the area? Does the chain complain about the costs of minimum wage increases in its annual report? Does the company have a pension plan that allocates worthwhile amounts to pension costs? Is there a pension plan at all? Is there an incentive package? If store operations become more complex, can these store people run the new merchandising offer? What do the employees think of the company?

6. *Gasoline Ownership:* Does the company own the gasoline dispensing facilities? Given the percentage of total margin developed by gasoline, should they be in the gasoline business? Does gasoline dilute their store effectiveness or their retail offer?

7. *Sales Level and Sales Growth:* Is the company producing sufficient sales? Are the sales keeping pace with inflation? Do they seem to have a strategy to increase sales? Do they know whether they have real sales increases or sales decreases?

8. *Productivity:* What does this store do better than someone else's store down the street? What sets them apart from their competitors? Are they trying to be the efficient supplier of some type of goods, or do they rely on the business that drops in? Are they trying only to compete at store level, while their competitors are integrating for greater efficiency?

9. *Innovation:* Are there any signs of innovative behavior? If they copy others, do they copy well? Do they recognize the marketplace is changing?

10. *Inflation:* Do they appear to understand inflation? Have they switched to LIFO for inventory valuation purposes? Why not? Have they or are they switching their goals and strategies because of or in anticipation of inflation?

11. *Whose store is it?* Do they stand for something? Are they putting their name, reputation, and chance for financial loss behind each individual location? When the unit fails, who suffers? Will they insure that each unit is operated so as to be profitable and build sales in all other units of that chain? Are they really in the business

of satisfying customers, or is this a cheap way to sell a few more units of merchandise?

These questions and many more will be answered in the years ahead. The cheap, easy glory days of the business are finished. While many marginal units will be opened, and many marginal units will survive, a new merchandising strategy for small food stores must be developed. Each year, managements of these companies will reveal a few more answers by their actions and their reporting of these events.

John F. Roscoe
December, 1980

# ITEMS FROM EARLIER SURVEYS THAT MIGHT BE WORTH CONSIDERING – With Updated Figures

The Items below were used in previous Surveys. We still believe they have merit. They are things that should probably be considered by operators of small food stores.

**Convertibility**

All standards of operating performance that are measurable in dollars can be converted to dollars per day per store.

Examples:

1. Return on investment. If $100,000 is invested in a store and the expected rate of return on this investment is 15%, an annual pretax profit of $15,000 is expected for the store. $15,000 divided by 365 store operating days produces an expected pretax profit of $41.00 per day per store.
2. Percentage on Sales. If sales are projected at $7,500 per week or at an annual rate of $390,000 and the projected profit is 4% on sales, an annual pretax profit of $15,600 is expected for the store. $15,600 divided by 365 store operating days produces an expected pretax profit of $43.00 per day per store.

When you convert your formula for the measurement of a successful convenience store operation into dollars, it can be converted, judged and ranked on a dollars per day basis. Store operators are encouraged to keep score in dollars. Bankers, creditors and stockholders all keep score in dollars. Percentages can sometimes be comforting, but they are not spendable.

**Subsidiary Activities**

Though we do not have specific data to completely substantiate this statement, it is our feeling that subsidiary activities have almost no effect on $DPD. We have analyzed chains with a great many 24 hour stores, chains that warehouse, chains that have gasoline, chains that franchise, chains with many new stores and chains where these conditions are of little or no importance. We can find little correlation between these activities and the final pretax profit per day per store. There appears to be no magic combination of activities that produces high average convenience store profits except for management's profit goals and profit administration.

**Philosophy of Profit**

The need for a profit philosophy among convenience store retailers should be restated. It appears many operators either do not have a profit goal or the goal they have established is unrealistically low. Profit should be planned and steps should be taken to achieve the profit plan. When profits are "what's left over after expenses are paid," it will consistently be just above the survival level.

Some operators have developed a profit philosophy and consistently achieve their profit goals. Profit levels are planned and remedial action is taken when profits fall below the goals of the plan. Other operators merely survive and continue to add units of a marginal nature.

There are few secrets in convenience store retailing. There is no secret of operation that separates one chain from another. The secret of profits and thus, the difference between companies appears to be the profit philosophy of the controlling personalities within these chains. Just a few individuals can change and upgrade the success level of this industry.

**How Should a Convenience Store be Judged?**

How should the success of a convenience store chain be judged? What standards should be applied to a company to determine its level of performance? Is the most successful chain the one with the most stores? Is it the chain with the greatest sales, or the highest average sales? The one with the best looking stores, or the happiest or highest paid employees? Or should chains be ranked according to return on invested capital or dividends to owners? How about the best public relations, or the cleverest advertising, the greatest total dollars of profit or the highest percentage of profit on sales?

All of these may be good indices of success in convenience store retailing. Some operators are partial to one measurement of success, some to others. Standards of performance are important to

an industry. Those engaged in an industry generally try to perform so as to successfully achieve the standards that are recognized as important among those in that trade.

### The Importance of $1.00 A Day Per Store

Sometimes we tend to overlook the importance of $1.00 per day per store. When you have multiple units, a small decision that costs just $1.00 per day per store can be a decision that will have a large impact on your profits.

1. If you operated ten stores, $1.00 a day a store in increased expense or reduced margin costs you $3,650 per year.
2. A dollar per day per store of increased expense would have cost Southland $2,446,127 in pretax profit last year.
3. Either $1.00 of increased margin dollars or $1.00 of decreased expense dollars per day per store would increase the profits of the Industry by $4,755,467.

Seemingly small decisions have a big effect on pretax profits. The cost of these decisions should be weighed against your pretax dollars per day per store rather than against sales. All other things being equal, the Industry on the average can make only thirty-eight decisions that cost $1.00 a day or all of the Industry profits would be eliminated. $38.18 per day per store for the Industry in increased cost without corresponding margin increases would eliminate all Industry profits.

### The Chain Store Problem

It is unusual to have a chain of anything where every unit is profitable. It has been said that the profit formula for most operators of ten units is as follows:

3 great profitable units +
4 marginal break even units −
3 low volume money losing units = No Profit.

Because location is of such vital importance in successful convenience store operation, this is particularly true. One of the skills necessary to have high $DPD is the ability to successfully manipulate the good store/bad store ratio. Good per store accounting is vital to obtaining this control. Given the correct operating results by store, operators must have the courage to admit they have a losing situation and the willingness to do something about it. Some operators apparently hold onto losing stores too long and are unwilling to take losses when they occur. Because of the importance of identifying and closing unprofitable stores, we have included the number of store closings in our schedules when they are available. Closing an unprofitable store is commendable and shows a high degree of management maturity. The areas of single store profitability, when and what to do with the losing store are areas that deserve greater industry study than has been had to date.

The time is past when a chain can be profitably managed by controlling expenses and taking just the convenience sales that locations provide. Sales and sales growth are the key words for the future. The chains that develop the sales capability to draw a customer past another store to shop at their unit, will be the chains to survive.

### SECRET OF PROFITABLE OPERATIONS - 1979 Survey

The secret of profitable operations is not to operate any unprofitable stores. Tom Turner, President of Sigmor Oil, gave everyone the secret of success of chain retailing during a talk in New Orleans this past summer. Tom said, "Run only profitable stores." It's so simple, we've never thought of it. Stockholders and analysts should ask managements, "How many of our (your) 500 stores were unprofitable last year?" It's been said that the Small Food Store Industry is the only set of retailers where as many as one third of the stores continue to operate when they are unprofitable.

### CAPACITY - 1979 Survey

What is the sales capacity of a 2,400 square foot store staffed with one person and stocked with a $30,000 inventory? The chains in the Survey produce average daily sales from $502 to $1,556 from their typical stores. Sales per day vary widely between stores within the same chains. Thought should be given to the percentage of sales capacity at

NOTE: a dollar isn't what it used to be. In 1971 the Industry could only make 14 decisions that cost a dollar a day.

which stores are operating. Many stores have a sales capacity several times greater than that at which they are operating. They are like a half full airplane or an empty theater.

**Is Convenience Dead?** Obviously not, but will it produce enough sales and margin to pay the expense rates of tomorrow? Probably not. It appears that the small store needs to fill a greater function than convenience. Convenience is a limited market. Stores should become the basic source of supply for some of the goods they offer to the public. The history of retailing success has been in giving the customer more for their money.

**Gasoline** Gasoline will not have a major effect on the long time profitability of the small store. Gasoline margin can provide less than 20% of the margin necessary to pay the expenses of a store. It may provide a necessary bit of auxiliary revenue for a typical store, but it won't sustain profitability. The other guy's business is always better until you get the other guy's expenses. Gasoline already affects the judgment of convenience store executives. It will soon begin to affect their expense levels.

## GASOLINE OWNERSHIP AND SUPPLY – 1980 Survey

The figures this year make it very clear that small food store operators have missed the boat on gasoline marketing. Sure, they've added gasoline facilities to their stores over the years, but except for a few operators, it has had little impact on their financial results. Basically, they are doing the work and giving the returns to the smarter fellows. They've learned to handle the operational problems of gasoline business for the fun of it.

Retailers have traditionally felt that suppliers should put free racks and equipment in their stores. Historically, most convenience store retailers have purchased their store products from middlemen. When these two philosophies were applied to the gasoline business, it cost the retailers dearly. Let's hope they learned there are no free lunches.

If small store operators believe there is a future in gasoline marketing from them, they had best begin today to take two painful and costly steps: 1) make the investment in their own equipment, and 2) try to begin to buy gasoline from a supplier that refines and sells gasoline in their marketing area. Neither step will be easy, but their future gasoline rewards depend on it.

### Ownership of Real Estate 1980 Survey

The philosophy of real estate ownership will be important to operators in the years ahead. Only a few chains presently own much of their real estate and, thus, completely control their destiny in those locations. Many operators presently have long term leases at very favorable prices on their locations, but someday tomorrow's costs and values must be recognized and accepted.

Great investments need to be made to bring the stores of yesterday into line with operating realities of today. This will continue to be true. Remodeling, refurbishing and renovating are probably less painful to do when the company owns the property and plans to continue operating a store from those premises. With today's inflation rates in real property and construction costs, it was the wise company that bought yesterday. There is probably no more significant management decision to be made today than whether to buy or lease. For my money, it's an easy decision.

### What Are We Selling 1980 Survey

I was intrigued and dismayed by the comments of the President of UtoteM, Mr. E.W. Kelley, who stated at his annual meeting in July, "The industry now must properly nurture that growth by recognizing it is 'Convenience' that we are selling, not merchandise." I couldn't disagree more. UtoteM and other low volume convenience store chains need to decide they are in the business of selling merchandise, and they need to do a better job of selling that merchandise. Except for exceptional locations, the day is long past when you can pay your expenses with convenience sales. Customers understand value and they take their business to stores where they perceive they receive value. For the small food store business to be a legitimate business, we have to learn the virtues of selling merchandise to customers. We need to employ such devices as quality products, exceptional service, guaranteed products, friendliness, cleanliness and the other techniques used by successful volume merchants. Until individual chains operate stores so that customers will pass other stores to come to them, they haven't much of a business. We need to be in the business of selling quality products from good looking stores, staffed with happy, competent, well paid employees to satisfied customers who will repeat their visits over and over. Convenience is a temporal thing and not enough to build a business on anymore.

# HOW TO DOUBLE CONVENIENCE STORE PROFITS

If these thirteen chains can produce sales growth of $118.00 per day per store at a margin of 28% without increasing expenses, they can double pretax profits.

Current pretax profit per day per store . . . . . $38.18
Sales growth per day per store of $136.38 times 28% increases margin dollars per day . . $38.18
Increased expenses . . . . . none
Resultant pretax profit per day per store . . . . . $76.36

If increased sales can be made at higher margins, the amount of sales growth per day per store necessary to double profit is considerably reduced. For instance:

1. Profits can be doubled by increasing sales just $116.00 a day if the additional sales are made at a 33% margin.
3. Profits can be doubled by increasing sales just $95.47 per day if the additional sales are made at a 40% margin.

Profits can also be doubled if existing expenses can be reduced by $38.18 per day per store. Present convenience store expenses appear to be around $235.70 per day per store and have increased $111.55 per day per store since 1971.

It would seem that it would be easier to double the profits of a company by increasing sales per day per store by $136.38 than by reducing expenses by $38.18 per day. Almost any combination of increasing sales or reducing expenses to double profits would be easier than to double the number of stores operated by the chain.

**Gasoline**

Gasoline marketing through convenience stores does add some margin dollars to those stores. Since gasoline has only recently become a source of revenue, it should be fairly easy to trace to the bottom line. Apparently, gasoline revenue like other subsidiary revenue is difficult to capture and bring, intact into profit. When additional revenue is available, expenses rise immediately to offset the possible beneficial effects on profits. As a practical matter, we can find little correlation between either the number or the percent of a chain's stores that sell gasoline and the $DPD of that chain.

**Store Closings**

December 1973 we noted, "One of the greatest opportunities for improvement of dollars profit per day will be from the analysis of existing stores. If all of the convenience stores that are now losing money were identified and closed, the average sales per store and thus the average margin and profit per store would dramatically increase for the Industry."

It appears that the cost of running a small retail outlet is increasing. As these costs increase, the chains will be forced to review, re-evaluate and close lower volume units. Stores that were profitable on the costs of yesterday, will not be profitable tomorrow.

Additional copies of this report can be obtained by writing to:
DOLLARS PER DAY SURVEY.
Cost of the Survey: $50.00

Additional copies are $15.00 each

**Send To:**
**DOLLARS PER DAY SURVEY**
391 Castle Crest Road
Walnut Creek, California 94595

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(415) 939-7230 or (707) 745-6691

# Dollars Per Day Survey

391 Castle Crest Road • Walnut Creek, California 94595

## PREVENT INVENTORY SHORTAGES

"Stores don't come up short, people do."
". . . in the grocery business 98% is a failing grade. We've got to be 100% accurate."
"Merchandise is money."
"You can't steal enough to buy a future."

These and many other important topics are covered in a 30 minute recorded talk given by Chester Cadieux. Mr. Cadieux operates a chain of 300 small food stores, and is a leading authority on maintaining control of stores' inventories.

### DOLLARS LOST VS. DOLLARS SAVED

It's been estimated that small food store operators with no retail inventory control systems lose about 5% of sales through inventory shortages. This is the same as $37.50 lost each day, or $13,687.50 lost each year, out of a single store. That's $136,875 a year for a ten store operation. You can be sure these tapes will more than pay for themselves through better inventory control.

### EVERYONE YOU EMPLOY SHOULD HEAR THIS TALK

Perhaps the single most important area of store operations is how to control a store's inventory. Mr. Cadieux's tape is a must for all your current employees, and anyone you will hire in the future. Each of your employees has no doubt developed their own philosophy on how this area should be managed; however, without hearing Mr. Cadieux's views, they will be deprived of a number of useful tips which are certain to increase their effectiveness.

ORDER YOUR COPY OF THIS TAPE TODAY

1 TAPE AND TRANSCRIPT ..... $25.00
2 TAPES AND TRANSCRIPTS ..... $35.00
ADD $5.00 FOR EACH ADDITIONAL TAPE

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PLEASE SEND _____ COPIES OF THE TAPE, "PREVENT INVENTORY SHORTAGES."
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CHESTER CADIEUX'S FAMOUS

# SHRINKAGE CONTROL

NOW AVAILABLE IN AN ALL-NEW
STEP-BY-STEP SELF-TEACHING FORMAT . . .

# PROGRAMMED LEARNING

Every employee you have and every employee you hire should be required to take this self-teaching course (similar format to Quaker Oats' convenience store program) in controlling inventory shortages.

Now your employees can **learn** and **remember** what causes shortages . . . where to look for them . . . how to control them . . . and the importance of control not only to your company, but to the employees themselves.

This easy-to-read, easy-to-learn course is designed to save you untold losses by teaching the keys of shrinkage control to your employees in an entertaining, inspirational, rememorable format. Your employees will gain seasoned insight into this critical problem which costs operations with **good** control systems over 1% of sales (that's in excess of $5.00 per day per store!).

And if you're a convenience store operator without a good retail inventory control system you may be losing as much as 5% of your sales . . . $25.00 per day per store . . . to shrinkage (that's $91,250 a year if you're a ten-store operator!).

Regardless of your size or your system, you can't afford inventory shortages . . . and you can't afford to miss this proven opportunity for your employees to learn how to save themselves (and you) money by controlling inventory shortages.

IF YOU HAD TO WRITE YOUR PERSONAL CHECK FOR THE MERCHANDISE, YOU WOULD PROBABLY:

( )
( )
( )

WHAT DO YOU HAVE TO DO TO GET AN INVENTORY TO BE ALL THERE WHEN YOU'RE AUDITED?

( )
( )
( )

CAN YOU STEAL ENOUGH TO BUY A FUTURE?

( )
( )
( )

YOU CAN PREVENT SHRINKAGE DUE TO VENDOR THEFT BY FOLLOWING WHICH OF THESE PROCEDURES?

( )
( )
( )

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**About the Author:**
The Dollars Per Day Survey is written and published by John F. Roscoe. He has operated small food stores since 1957 when he opened his first store in Denver, Colorado, and now owns and operates a chain of 162 stores in California, Idaho, Nevada, Arizona, and Colorado. He was the first to combine the sale of gasoline with a convenience food store and was instrumental in the acceptance of this method of gasoline dispensing. The Survey has been published each year since 1971 and is generally regarded as the most reliable index of the financial results of Convenience Stores in the United States.

CIRCLE K WINS PROFIT AWARD — **John Roscoe (center), publisher of the Dollars Per Day Survey, presents the ninth annual Silver Tray Award to Fred Hervey (right), Chairman of the Board of Circle K, and Bob Hutchinson, President, Policy Board, Circle K at a dinner at the Arizona Biltmore Hotel, Phoenix, Arizona in December 1979. Circle K has received the award in honor of its being the most profitable operation (on a per store, per day basis) in the small food store industry for the past year.**

**It was the second time in the past three years, and the sixth time in the history of the Survey, Circle K has been so honored.**